

UNIVERSITY OF CALIFORNIA AT LOS ANGELES











PROBLEMS IN SALES MANAGEMENT

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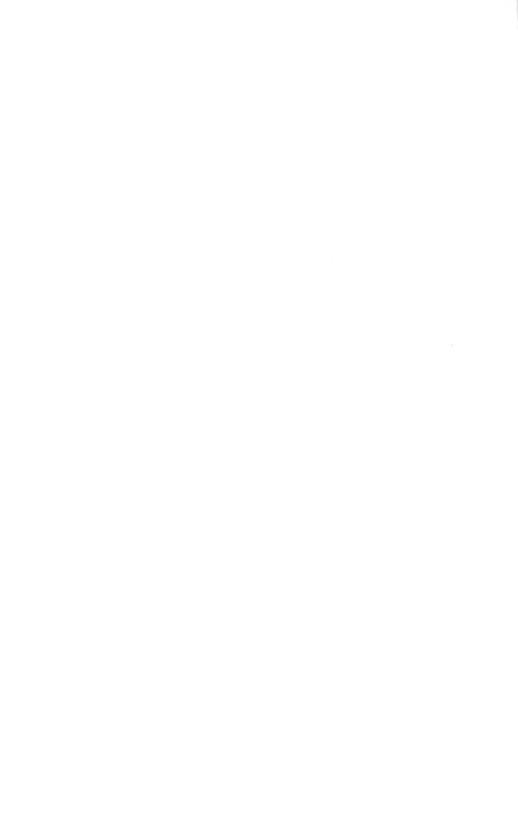
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PROBLEMS IN SALES MANAGEMENT



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PREFACE

THE modern sales executive must perform his work with very imperfect equipment—imperfect, partly because of the incomplete development of other sciences, notably psychology; imperfect, largely because of the lack of scientific development along the lines of distribution. It seems strange to the observer that marketing, when understood as including the creation of time and place utility, should have suffered such neglect, when, from the viewpoint of public interest, such production is always important, and since distribution frequently takes up a larger portion of public income than production of form utility. In other words, for many commodities the costs of distribution are greater than the costs of manufacture including cost of raw mate-Although distribution costs have been cut down materially in the course of the last two or three centuries, no sober examination of present-day facts would lead to any conclusion other than that of the need of applying every means to the reduction of distribution costs.

The first step is, logically, collection and classification of facts; the second, analysis of material, and conclusion; the last, the application of the principles derived.

In sales management the collection of facts has just begun. The conclusions which are drawn are necessarily tentative and are to be used only as guides for action, pending more definitive solutions to come when basis of fact is broader. The development of scientific sales management requires concentrated thought and reasonable procedure on the part of every sales executive and every student of distribution problems.

To develop the habit of passing judgment and taking action upon the basis of tangible and intangible facts

in accordance with correct principles is the goal of scientific business training. It is our conviction that this training—this habit of making decisions upon facts and evidence rather than upon guesswork—can be best acquired through considering and discussing problems of the type which actually confront the business man in the course of his activities. It is evident that there is an infinite number of possible combinations of circumstances; furthermore, it is not possible through description of circumstances to convey all the variations in the personal factor.

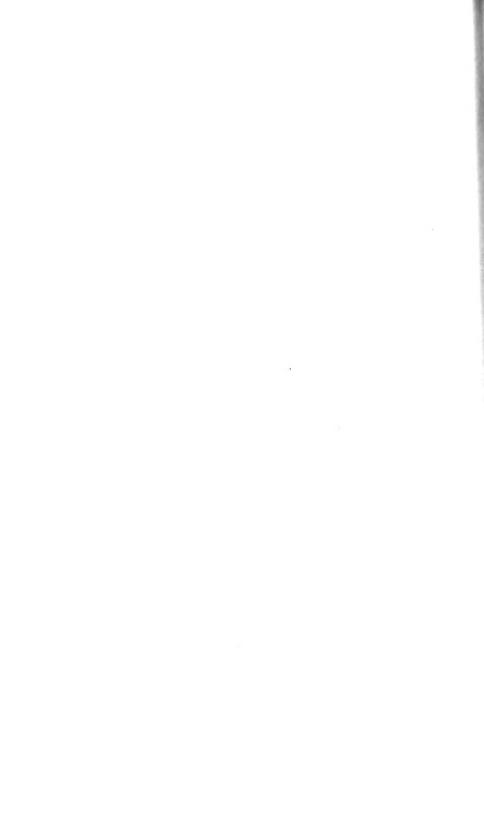
In the preparation of a problem book in sales management one is confronted with the difficulty not only of collecting and selecting problems, but also of determining and delimiting the field. While the writer is inclined to favor "marketing management" indicating more clearly the scope of the field, usage favors the term "sales management." This volume is the result of an effort to apply the problem or case method to teaching the principles and methods of sales management. Many of the problems have been used successfully in the sales management course in the Graduate School of Business Administration at Harvard University. Problems have been selected with a view to bring out the "high spots" in sales management and are all based upon the experience of going business concerns. Names have, in most cases, been disguised in order to avoid disclosure of confidential material. but the essentials of the problems and relationships have been carefully retained.

Without the willing cooperation of sales executives and officials of many business enterprises, both with the writer directly, and indirectly through the Harvard Bureau of Business Research, it would have been impossible to complete the work. The assistance rendered, and the spirit of helpfulness behind it are gratefully acknowledged. The writer is especially indebted to the Harvard Bureau of Business Research, in the persons of its director, Professor Melvin T. Copeland and special agents Richard Lennihan and Neil H.

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HARRY R. TOSDAL

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PART I THE FIELD OF SALES MANAGEMENT



PART I

THE FIELD OF SALES MANAGEMENT

ALES management, as the term has come to be used among business men, comprises the field of management required for the performance of marketing functions, particularly selling. The point of view is that of the administrative or executive officers of a business enterprise. Strictly speaking, it includes the management of both foreign and domestic sales, although in many business organizations the two are separate. Likewise, sales management, using advertising as one of its means of creating demand, includes the management of advertising, though similarly in business organizations the development of advertising has brought many concerns to accord it a coordinate position with the other portions of the field of sales management. While the principles of sales management may be applied to retail stores, the scope of this work is limited to sales management in wholesale and manufacturing enterprises. Sales management is not coextensive with marketing for the reason that it deals only with those functions which are necessary for the distribution of goods manufactured or purchased for resale.

The prime marketing function, according to one authority, is selling or effecting a transfer of ownership of merchandise on terms which are satisfactory to seller as well as to buyer. The purpose of sales management is to bring about the performance of this function at the lowest possible cost consistent with continued profitableness of the business enterprise. The success of a concern in the performance of the selling function is dependent in varying degrees upon the performance of

other marketing functions, particularly if we regard the sales department as responsible for the performance of all functions necessary to place goods purchased or manufactured in the hands of consumers. creation of time and place utilities the sales department must arrange for storage of finished goods, their movement into the hands of the customer and financing within the limits imposed upon it by the administrative policy and action. While in most sales organizations financing is handled by separate officials or separate departments, the policies and methods of any company with respect to credits and terms of sale are matters of the highest importance to the sales department in the performance of the selling function. Frequently wide latitude is given to the sales department in arranging its own finances within the general limitations common to all departments and necessitated by the requirements for proper coordination of the varied activities of a business enterprise.*

Sales organizations vary likewise with respect to their interest and authority in the handling of orders and shipment of goods. Both as to policy and method. the function of delivery of goods seems to have been neglected by the sales department as compared to the pure selling function. In the study of stores systems little attention has been accorded problems of handling stocks of finished goods, and the manifold problems in coordinating sales and production. The production department has frequently operated on the principle that its responsibility has been discharged when the goods were finished and ready for delivery; since the shipping department was under the control of the production department and was used for inward as well as for outward shipments, the sales department, on the other hand, frequently assumed that stockrooms, packing and shipping were outside its province.

^{*}See P. T. Cherington, Essentials of Marketing.

According to L. D. H. Weld, the marketing functions are assembling, storing, assumption of risk, financing, rearrangement, selling, and transportation. Of these, assembling is not within the province of sales management, while rearrangement or grading is usually performed prior to purchase or prior to delivery to the sales department.

While the field of production management within a manufacturing plant has been fairly well established. no such definition could be given for sales management as applied in the sales department. Sales departments vary because there is lack of any common conception of the functions of such a department. In some firms the sales department is given control of advertising: in others, not. Some concerns give the sales executive control of credits, others accord him advisory control. others no control whatever. In some concerns the sales department takes what the production department chooses to turn out: in others, the production department makes what the sales department orders. According to the broadest view the work of the executive head of the sales department comprises all the operations necessary for disposing of goods and receiving payment therefor. The sales organization must be built. maintained, and operated. Policies must be formulated and sales methods must be chosen to conform. must be made, and order must be handled in such manner as to win good will for the company.

The application of the principles of "scientific management" to sales organization and operation requires first of all the separation of planning from performance and the assignment of planning to separate individuals wherever possible. The idea of separating planning and performance in the sales department has developed very slowly. Only within the past few years has attention been drawn to the possibilities of research and planning for sales operations. There has been a very general feeling that the sales manager dealt entirely with imponderables, with factors which could not be measured. To a considerable extent this was true. The sales manager, as well as any other executive, must deal with human nature; perhaps even more than other managers, the sales manager has been required to deal with intangible factors, because the performance of the main function of the selling department requires the acceptance of ideas by prospective purchasers outside the particular business organization. While, by the law of averages, results could be predicted for particular experiments over a very wide field, the individual sales manager is rarely in a position to assume that his particular field was sufficiently typical to allow prediction of results for any experiment he might choose to make.

The separation of planning and performance may be applied to the primary function of selling. Research and planning have been used successfully in the shaping of products for sale and in selecting and directing methods of selling. If advertising is to be used, the planning of campaigns and media and schedules can be easily separated from actual copy-writing, arrangement for space, and control. In the management of salesmen, districting of territory, and routing of salesmen, planning may be separated from actual control while operating in the field. Even in the management of financing, planning is becoming more common through the adoption of variations of the budget system. By proper planning and arrangement of terms of sale, the sales manager determines the volume of sales which can be financed under conditions laid down by the administration. Likewise in delivery, it is possible to separate planning and performance, the planning of schedules of shipment and the routing of orders being distinguished from the actual filling and shipment.

Sales policy implies the development of standards for practice in dealing with certain situations or the development of standard methods and conditions under which certain operations shall be performed. The establishment of this standard practice requires research. Since the possibility is offered of separating the functions of planning and performance in sales management, it follows that because different qualifications are required for the two tasks, it may be wise (at least in large organizations) to have separate planning officials in the sales organizations. While the planning department in scientific production management has become well established as an essential

feature, the movement toward the establishment of similar departments having much broader functions than the sales department is comparatively recent. These departments, sometimes called "sales research," sometimes "sales planning", and at other times "sales promotion" departments, recognize the necessity of particular characteristics for such work as well as the possibility of increasing the general efficiency of a business by proper planning and research.

At the present time caution must be exercised in theoretical discussions of research and planning as applied to sales, lest we lose sight of the nature of the data with which the sales executive has to work. While it cannot be denied that well-directed sales research and sales planning departments may do much for business enterprise, the limitations of sales research and planning imposed by inadequate information should be clearly understood. Otherwise, one may be misled by a false appearance of accuracy. The logical viewpoint seems to be that the sales executive cannot afford to disregard pertinent facts and that it is his duty to base decisions upon such facts whenever they are attainable. Rarely will all the desired facts be available, but the knowledge of those available will in proportion to their completeness limit the field for errors of judgment.

The incomplete development of business science is clearly demonstrated by a study of sales management. The absence of general principles and the lack of collected data, upon which to develop principles are shown by the number and variety of problems which present themselves to sales executives and the utter lack of anything approaching a scientific standard of practice. There is no single correct solution for many of the problems in sales management; the successful solution in one enterprise may be unsuccessful in another. Nevertheless, much is to be gained if students of sales management acquire the habit of weighing alternatives before deciding. Rule-of-thumb decision is becoming dangerous in modern business.

The problems which have been collected have been taken from study of going business enterprises of all sizes, varying from the small, struggling enterprise to the corporation whose capitalization runs into the hundreds of millions. The attempt has been made, also, to represent a variety of types of business, including those handling staple products, specialties, and materials used by manufacturers.

The problems may logically be grouped as follows:

First: Those problems of administrative policy which determine more or less the organization and operation of the sales department. For pedagogical reasons, this section is placed last in the present collection.

Second: Problems dealing with building or reshaping of sales organization and relation of sales department to other departments.

Third: Problems dealing with research and planning as a basis both for sales policy and sales operation.

FOURTH: Sales policy, including policies as to product, policies regarding use of marketing agencies and relations with customers and competitors.

Fifth: Sales methods, including methods of utilizing personal salesmanship and advertising, handling relations with dealers and customers.

Sixth: Management of sales force.

Seventh: Control of sales operations. Accounts, statistics, records and reports.

Eighth: Problems of financing as related to sales. Terms of sales, special methods of financing.

Ninth: Problems of the sales department in delivery of goods.

It is evident that, not only the size of the business and its total financial resources, but also the portion of those resources allocated to the uses of the sales department by the administrative officers, are of prime importance in determining selling policies and methods. Administrative officers limit the operations of the sales department, first by choosing the sales manager, and secondly by deciding upon the relation-

ship of the sales department to other departments of the business. Administrative decision is frequently responsible for the coordinate authority of sales and advertising managers, the coordinate authority of sales and export managers. The location of the main sales office is usually determined for the sales manager by administrative authority. Furthermore, the administrative heads of the business may have at the outset determined that the product is to be sold direct to consumers, by mail-order methods, or that the company is to do no advertising or is to undertake special national advertising for a specialized product. It is evident that the sales department will be profoundly affected by any such decision.

In studying the problems in sales organization, the general factors which influence the type of sales organization to be chosen, the methods of transmitting control and securing the benefits of specialized knowledge and ability, are of particular interest. and establishment of branch and district offices and warehouses involves a series of problems which the sales executive is frequently called upon to solve. More than one concern has found that branch offices were an expensive luxury and that the adoption of other means would have been beneficial from the viewpoint of the company's welfare. The construction of the selling plant is ordinarily not a problem of particular magnitude. It has been possible for most sales organizations to secure the space needed either at the plant or in the city selected for location; in fact, many buildings in the business district of any city are occupied largely by sales organizations. The equipment of the selling plant is primarily a problem of office management, except as it pertains to the handling of orders, in which case material and goods-handling equipment will be recommended by engineers.

The main group of problems in the building and reshaping of sales organizations concerns personnel. While in the smallest organizations the usual type is the familiar military or line organization, as a business develops there arises the necessity of recognizing the advantages of the principles of the division of labor through functional organization. The choice is open between continuance of pure line organization and adoption of either a pure type of functional organization or a combination of the two in the line-and-staff organization. Likewise, choice must be made between the committee type of organization and the usual single-individual arrangement. Within the organization itself decision must be made as to the extent to which departmentalization of sales organization is to be carried out, whether groupings are to be made according to the different products manufactured, by the concern according to the type of customers, such as wholesale or contract customers, classes of retailers. or according to the territory in which groups of customers are located.

Given the general type, the sales organization will be modified, first of all, to fit the size and financial resources of a concern. The concern selling \$100,000,000 of goods in a year will require a different organization from one selling \$100,000. Again, the sales organization should be adapted to the methods of distribution. While for many products there are traditional methods which in themselves play a large part in the shaping of the sales organization, there is today a marked tendency to depart from traditional channels of distribution and to adopt new methods.

The adoption of direct sale to retailers will usually require an organization which differs considerably in size and other features from the organization of a similar concern selling only to wholesalers. Lastly, sales organization must also be modified to fit the type of buyer or average unit sale. It makes a vast difference to the sales department whether for an annual volume of \$50,000,000 there are 100,000 orders from 40,000 customers or whether there are 100 customers with 500 orders a year. In the first case an extensive sales organization may be required; in the second a very small one.

The chief sales executive is chosen, of course, by the administrative officers, from whom he derives his authority. In general, his title will be given in this volume as "sales manager," although there is a growing tendency to make the chief sales executive in a corporation a vice-president in charge of sales. The qualifications of the chief sales executive are in general the qualifications of any capable executive. The qualifications required for the sales executive of a particular concern will depend to a considerable extent upon the place which the sales organization occupies in the business.

As a starting point for good management, whether in production, financing or sales, knowledge of facts is essential, both for administrative officials in the preparation of the larger plans as well as for executives and planning officials who make detailed plans to carry out major policies and functions. It is the business of research to obtain these facts. The results of such research are valuable in proportion to the completeness of facts upon which conclusions can be based or the extent to which facts collected are typical. methods of scientific research in any social science in which it is necessary to deal with huge aggregates or with large number of details and in which it is usually impossible to compile details covering every case must be employed in sales research. Much use must be made of statistical methods; much dependence placed upon averages as derived from observations of typical cases. In other words, trade tests and samples must be widely used in sales management and sales research because of the impossibility of profitably obtaining a complete set of facts.

Sales research is commonly classified as "Desk Research" and "Field Research," the distinction depending upon whether an attempt is made to secure information through questionnaires and examination of published sources or whether personal investigation is utilized either to obtain new data or to corroborate the result of desk research. While no sales manager can overlook

the advantage of having such information as can be secured from published sources, too much stress must not be laid upon its results. Deductions from statistical data when used for sales purposes must always be influenced by knowledge of buying habits and by many facts which cannot be measured statistically. Estimates of possible sales should not be looked upon as more than estimates. They all involve an element of personal opinion.

Research may assist in determining the uses of a product, thereby increasing the field for sales development. Research may furnish the facts whereby it is possible to determine a policy concerning new styles and simplification of products, the addition or elimination of lines; research may be used to determine accurately the selling points of a product and the sales value of a container.

The most difficult problems connected with research are those concerning the estimate of potential demand. In rare cases only is it possible to get more than a rough estimate of the demand for a particular commodity for an individual enterprise. While it may be possible to determine the amount of the product used in the course of the year, it may not be possible to determine how much of that product is furnished by competitors. Even if these facts are secured with some accuracy, changes in industrial conditions may influence the demand. An estimate of the potential market demand for a commodity requires careful study and appraisal of a variety of conditions and a variety of facts.

Research may be used to determine methods of reaching the market. When channels are chosen through which goods are to be distributed it may be possible for the research department to secure names and data concerning dealers both wholesale and retail as well as concerning consumers. Upon the basis of such facts the efficiency of the sales department both in the use of the method of personal solicitation and advertising may be increased. In planning for sales operations research will furnish data for laying

out of sales districts. The work of the field force may be planned so as to secure much more efficient utilization of time and expenditure through careful routing of salesmen, careful planning of equipment, and fixing of standards of performance, which in sales are usually called "quotas."

The planning of an advertising campaign and its correlation with personal salesmanship depends largely upon the information furnished by sales research, a fact which accounts for the maintenance of sales research departments by many of the larger advertising agencies. It is necessary to have basic facts upon which to determine the advertising media to be used and the most effective ways of using the media selected. In planning of sales campaigns are concentrated most of the features of sales research and planning for it is necessary to secure the facts by which to determine methods, and to plan each of the steps of the campaign carefully in advance of execution if best results are to be obtained.

Among the problems in sales policy which confront the sales manager are those connected with product guarantees in which the manufacturer undertakes to guarantee the quality, durability, and service rendered. Such guarantees offer difficulties which sometimes offset the selling advantages. Many concerns have the problem of choosing between specialization in the manufacture of a single product or manufacturing several products to complete the line. Textiles, furniture and other enterprises must adopt a policy as to style Manufacturers of more durable commodchanges. ities which are liable to get out of renair are compelled to adopt some policy as to repair services and repair parts in order to maintain the good will of purchasers and eliminate dissatisfaction which is an obstacle to future sales. Other manufacturers must concern themselves with brand policy; whether brands shall be used to identify goods, whether separate brands shall be used for different lines of goods, a single brand for several lines, or possibly several brands for one line.

With regard to methods of distribution the manufacturer must first of all determine his policy as to channels of distribution. He must decide whether or not he will use the channels which the majority of manufacturers have selected in his particular line. If the dealer sells to the independent retailer, he must decide whether or not he is to sell to competitors of the independent retailer such as mail-order houses, chain stores, cooperative stores. If the product of the manufacturer is one sold to other manufacturers, he must determine the conditions under which he will make contract sales.

Perhaps the most difficult policies to decide upon are those concerning price. While in the long run economic forces determine price, the difficulty of determining market price at any time gives a wide range of choice to many manufacturers. Within limits, the manufacturer must determine the price level; whether he shall sell at the market price, at a price above the market, or at a price below the market; in the terms used by Shaw, "market plus, market par, or market minus." Having determined the price level, he must decide whether in distributing over a large area the prices shall vary according to location. He must decide whether he shall adopt a uniform policy of selling prices or allow concessions to be made by salesmen or otherwise. In the quotation of prices it may be necessary for him to determine whether net, list or delivered prices are to be quoted. For quantity sales he may find difficulty in deciding whether the advantages of quantity discounts are sufficient to offset the possible ill-will of smaller distributors. Furthermore, the question will frequently confront the manufacturer of identified goods as to whether he should attempt to fix a resale price and if so to what lengths he should go in the attempt to enforce it. During the past few years considerable public attention has been given to the question of price maintenance and guarantee against price decline. The hearings of the Federal Trade Commission revealed such variation of opinion

that it was found impossible to take a definite stand. In many industries guarantee of prices against decline, is still a vexatious problem.

The length of credit terms is determined both by the custom of a trade and the financial position of the selling concern. It is obviously impossible for a concern with small resources to extend long credit terms without tying up its capital and impairing its efficiency. On the other hand, it is possible for a concern in a very strong position in the market to shorten its credit terms so as to secure the maximum use of its working capital. Trade custom will likewise have great influence in the selection of method of extending credit, whether upon open account, on a sight-draft basis, trade acceptances, or otherwise. An integral part of any credit policy is the policy concerning collections.

The policy of a business firm concerning advertising is frequently indicated by the size of the appropriation which is given to advertising. Advertising policy, the featuring of particular goods or particular selling points is intimately connected with general policies of an enterprise.

At the close of the period of prosperity in 1920, the flood of cancelations and large amounts of goods returned without adequate cause induced many firms to make a thorough examination and overhauling of their policies towards customers. Cancelations received much discussion and the general tendency was to adopt a policy of refusing to allow cancelations while at the same time making numerous exceptions where it appeared that circumstances warranted it. Much the same might be said of returned goods. The policy of a firm in regard to claims and allowances will depend to a large extent upon its previous experience, its type of customers, and the character of the goods sold.

In the operation of the sales department, the first and foremost function of the sales manager is that of using efficiently the means of selling at his disposal. The means at his disposal may consist mainly of advertising of various types, and personal salesmanship in its various forms. The use of one of these exclusively or such combination of the two as appears necessary constitutes a large part of the work of the sales executives. When personal solicitation is to be used the sales manager finds that many methods are in use, some firms using regular salesmen to solicit orders, others supplanting or supplementing regular salesmen with a "missionary" or non-selling force whose object is to create demand which is to be filled indirectly through distributors. In introducing a new product the sales manager finds a chance to exercise his ingenuity in devising variations of personal salesmanship and advertising to bring about sales most economically.

Much is said and written about advertising as a means of creating consumers' demand. The creation of consumer demand by means of advertising and personal solicitation has become the fundamental policy of many large manufacturing enterprises, being regarded as a means of insuring the continuance of business profits and as a means of obtaining control of dealers and distributors whose interests are frequently at variance with those of the manufacturer. While the attempt to create consumer demand is most common among manufacturers of finished articles, there has been some evidence of a tendency, on the part of manufacturers of materials which are incorporated in other products before reaching the consumer, to attempt to create through advertising a demand for such parts as a means of developing sales to wholesale consumers. Consumer's good will as created by advertising and other sales methods is valued highly by business concerns and financial statements show that this valuation is often reflected in the balance sheet. Capitalization of such good will is frequently justified by business concerns upon the ground that its possession enables a manufacturer to effect economies in distribution.

The creation of consumer demand is useless for many commodities unless this demand can be filled without much trouble by the average consumer. Moreover, no advertising campaign can yield its full benefits to the manufacturer when its goods are not sold on a mail-order basis, unless it is possible for him to place his product with distributors in the areas in which the demand has been created. When an exclusive agency policy has been adopted, the selection of distributors becomes a matter of importance because whether manufacturers wish it or not the article is frequently associated not only with the manufacturer's name, but also with the dealer from whom the consumer purchases the product. The character of that dealer is, therefore, of interest to the manufacturers and care must be taken in his selection and development so as to furnish the best type of market for the line.

The manufacturer may find that it is advisable to use some sort of contract or agreement with distributors. While such contracts are not used in many industries, the custom has been developed in textiles, raw materials, grocery futures, of utilizing sales contracts which set forth clearly the terms under which orders are given and received. The terms of these contracts involve matters of fundamental importance to the trades concerned.

The sales manager's task is not completed when distributors are selected and orders taken, for in many lines it is not the first sale, but the repeat sales, which go to make up a profitable business. Repeat sales are not possible unless the jobber or retailer is in turn able to sell the goods. In proportion to the rapidity of his sales and profits, his good will toward the manufacturer increases and the manufacturer benefits by increased orders. While for many products much greater sale could be secured if the jobber or retailer would single them out for emphasis, the jobber or retailer would not be performing his function if he should forget the fact that his service consists mainly of collecting goods from many manufacturers making them available for retailers or in the case of the retailer, collecting goods from jobbers or manufacturers making them available in small amounts for consumers. Nevertheless, the manufacturer of identified goods finds it possible to secure the interest and good will of distributors through various types of cooperation which aid the retailer in his business as a whole and incidentally help increase the sales of the manufacturer's product. Many manufacturers have gone to great lengths in assisting their dealers to become more competent distributors. There are no standards by which the sales manager can select the methods which may profitably be used in cooperating with jobbers and retailers.

The resourcefulness of the sales executive is called for in meeting the competition of other manufacturers of the same type of goods, in advertising, in selection of new tactics which conform to best business ethics and yet which obtain the results of increased business both immediate and future. In handling cancelations, claims and complaints sales managers will find that judicious departures from general policies will frequently operate to the benefit of a business.

It is to be expected that numerous and difficult problems fall to the lot of the sales executive in connection with the management of a sales force, since neither upon qualifications nor work of the salesman is there any agreement. The problem of training a sales force depends largely upon the type of salesmen selected for the organization. The majority of business enterprises sidestep entirely the training of salesmen, either by hiring only experienced salesmen or by allowing salesmen recruits to obtain their own experience without direction or responsibility on the part of the executive. The loss brought about by haphazard and inadequate training has led to the development of various methods of training ranging from occasional conferences and correspondence courses to well-developed resident courses supplemented by correspondence and supervision. Classes for the training of salesmen have been developed by insurance companies and with the help of certain educational institutions it is probable that the training of insurance salesmen has proceeded to a point beyond that reached by any other general class. The great variety form and content of training courses is based upon fundamental differences of opinion and upon differences in complexity of products.

As in other fields of economic activity, the question of compensation of sales force is one that is far from settlement. In general, there are two basic plans similar to time and piece rates for factory work. There is the salary plan according to which the relation between the salesmen's results and salary is adjusted only over long periods, and the commission plan in which the amount of compensation depends directly upon the amount of sales. Popular discussion today leads ordinarily to the proposal of a combination of the two basic plans, sometimes with the addition of bonus or profit-sharing features.

In the supervision of sales force it is necessary for the sales executive to adopt methods which differ from those of the factory executive. Through reports and supervision by traveling managers it is possible to overcome to a limited extent the difficulties of long-range control of salesmen in the field. More difficult is the task of securing such cooperation and activity on the part of the sales force as to produce the desired results in terms of sales. The extent to which successful selling depends upon the attitude of the salesmen toward the house and toward his work is such that frequently extraordinary means such as contests, conventions, must be used in order to stimulate activity. These are in part a substitute for personal supervision.

The control of sales operations is effected by means of reports, records, and control officials. Frequently the difference between good control and poor control is the difference between good records and poor records. The larger the business the less possible is it to exercise adequate control of sales without current reports from all ranks of executives as well as occasional reports of outside agencies to check up the influence of personal factor in internal records. The general records of importance to the sales department may be classified as:

- (1) Statistical records relating to customers, prospective customers, and sales variously divided according to products, territories, classes of buyer.
- (2) Records of performances of salesmen and other members of sales force according to individuals, districts, and so forth.
- (3) Records concerning advertising, its control and results.
- (4) Records of personnel giving ratings, application blanks, interview blanks, individual items and data, and data of general nature.

With this information, together with market data and the records obtained from accounts, the sales manager may direct his own activities properly and coordinate his work with that of other departments.

While it is evident that the relation between selling and financing is very close, discussion of the capital requirements for financing sales and methods of handling credits lies properly within the scope of corporation finance and credits and collections. Nevertheless, the sales manager must never lose sight of the fact that his actions are limited by and predicated upon the financial condition of the enterprise, just as he will never lose sight of the fact that the financial success of his business depends largely upon the success of the sales department. The amount of capital necessary for financing sales depends largely upon the volume of sales and the length of the period between the receipt of goods by the sales department and the collection or payment after sales. The common sources of funds for financing sales are the working capital of the enterprise, bank loans, and loans upon the collateral furnished by current sales such as acceptances, notes, or book accounts. Under a given financial condition it is necessary for the credit department not only to determine the terms under which a specific sale will be financed, but also to determine whether specific applications for credit should be granted. The methods of handling credits may have a very important influence upon sales; too great conservatism may cut down sales and cut profits; likewise, too great liberality may unduly increase the percentage of loss from bad debts. The financing of sales is in industries producing an article which sells for higher price, a problem of importance. Special corporations have formed in the automotive industry to enable manufacturers and dealers to grant the credit required for the greatest development of sales. Instalment methods and consignment methods are replete with problems for the concerns which demand their use.

Lastly, because repeat sales and the development of consumer and dealer good will frequently depend upon the satisfaction of customers' desires with reference to delivery, the sales department is vitally interested in the way orders are handled, whether it has control of stockrooms, packing and shipping or not. Both in the case of goods manufactured to order and goods manufactured for stock the necessity for careful planning is obvious. There seems to be no good reason why the same principles of stock limits should not be applied to finished stock for the purpose of both cutting down inventory necessary to handle orders and decreasing the loss of good will through inability to fill orders promptly. Requirement for quick delivery as a selling point frequently compels the sales department to establish warehouses at strategic points and in other cities.

Public authority influences the sales executive and the distributive operations of a business enterprise at many points. Government regulation of standards of quality and quantity as in pure food laws and laws relating to weights and measures; taxation as related to sales, particularly the sales tax recently the subject of wide discussion; foreign corporation laws affecting the right to do business in other states than in the one of incorporation; laws and judicial decisions concerning unfair trade practices which are often selling practices—all suggest legal and economic problems in the solution of which the sales executive has a vital interest.

The broad-minded modern sales executive knows that compliance with present law and regulation is not sufficient if he is building for the future. He must be in the vanguard of those who are shaping their business policies and practices to conform to the demands of enlightened public opinion, thus anticipating the reflection of such opinion in judicial decision and statutory enactment.

PART II SALES ORGANIZATION



PART II

SALES ORGANIZATION

OUTLINE

- A. Location of Selling Plant.
 - 1. Central sales office.
 - 2. Branch and district offices.
 - 3 Warehouses
- B. Selection and Construction of Selling Plant and Equipment.
- C. Organization of Personnel.
 - 1. Type of organization.
 - (a) Line organization.
 - (b) Functional organization of sales department.
 - (c) Line-and-staff organization.
 - (d) Committee types of organization.
 - (e) Departmentalization of sales organization according to product, type of customer, or other non-functional bases.
 - 2. Shaping the sales organization to
 - (a) Size and financial resources of concern.
 - (b) Methods of distribution.
 - (c) Character and volume of product.
 - (d) Type of buyer.
 - (e) Other factors.
 - 3. The chief sales executive.
 - (a) Qualifications and functions.
 - 4. Minor sales executives.
 - (a) Types, qualifications, duties.
 - (b) Sources.
 - 5. Salesmen.
 - (a) Qualifications and duties.
 - (b) Regular salesmen versus special types.
 - 6. Credit department personnel.

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- 7. Selection of sales personnel.
 - (a) Basis of selection.
 - (b) Methods: interview, application blanks, psychological tests, etc.

D. Branch Office Organization.

- 1. Internal organization.
- 2. Relation to main office.

E. THE ADVERTISING DEPARTMENT.

- 1. Relation to sales department.
- 2. Relation of advertising to sales manager.
- 3. Sales department, advertising department, and advertising agencies.

F. THE EXPORT DEPARTMENT.

- 1. Relation of export department to domestic sales.
- 2. Location of export department.
- Relations of export department and domestic sales department with production department.

G. Organization for Sales Research and Sales Planning.

- 1. Personnel of sales research organization.
- Relation of sales research and sales planning to sales, advertising, and other departments.

H. Credit Department.

- 1. Relation to sales department.
- 2. Coordination of credit and sales policies.

I. Relation of Sales Department to Production Department.

- Organization for coordination of sales and production.
- J. Relation of Sales Department to Accounting and Financial Departments.
- K. Relation of Traffic Department to Sales Department.

GENERAL QUESTIONS*

A. LOCATION OF SELLING PLANT.

Where shall the main sales offices of a concern be located?

What choice of location is offered? What are the advantages and disadvantages of each?

When decision has been made to establish branch offices, where should they be located? What considerations should determine the choice of location?

Where should warehouses be located if separate from branches? Is it advisable to use public warehousing facilities, lease warehouse buildings or portions of buildings, or build warehouse facilities particularly for the use of the concern?

B. SELLING PLANT AND EQUIPMENT.

What type of building is required for performance of sales functions?

What type of equipment should be purchased?

To what extent is the purchase of equipment within the province of the sales manager?

To what extent should matters of selling plant and equipment be left to officials in charge of office management?

C. Organization of Personnel.

Which of the basic forms of organization should be chosen for the sales department?

Which form of organization, line and staff or functional, possesses the greatest advantages for the selling department of a particular concern? To what extent can the advantages of these forms be secured in a small enterprise?

What changes are required to remove difficulties in established concerns due to overlapping of authority and incorrect organization?

Is committee organization desirable? Should committees have purely advisory or mandatory power?

How can the separation of planning and performance be applied in building sales organizations?

To what extent does this require the utilization of officials whose duties are devoted solely to planning and research?

Should the sales department subdivide its work on the basis of functions such as advertising management, shipping, etc.; according to product, so that minor officials, salesmen, and advertising are grouped according to the product to be sold; according to the types of purchasers of the product, so that separate salesmen and managers are to be used for large-contract customers; or on other bases?

Given a product and method of distribution, how can a sales organization be shaped to fit the financial resources of the company?

Given the character and volume of the products to be sold and limited financial resources, how are methods of distribution to be chosen which will permit of an efficient sales organization?

What organization is required for selling through wholesalers?

What are the organization requirements for sale direct to retailers?

What organizations are required for the following types of business?

- (1) Mail order to retailers exclusively.
- (2) Sale of product through selling house or manufacurer's agent.
- (3) Selling through jobbers only, either using mail methods exclusively, personal salesmanship and advertising, or combinations of the two.
- (4) Selling both to jobbers and retailers or selling through jobbers exclusively by soliciting orders from retailers, which are filled through jobbers.
- (5) Selling direct to retailers generally, but to jobbers in some districts.
- (6) Selling to retailers exclusively.
- (7) Selling through branch houses or branch stores direct to consumers, together with sale to independent retailers.
- (8) Sale to wholesale consumers; contract selling.
- (9) Sale direct to consumers at retail.

What should be the qualifications of the chief sales executive? Are the requirements for successful executives in other lines applicable to the sales manager without modification?

To what extent does the separation of planning and performance affect the qualifications required of a successful sales executive? To whom should the sales manager report? What should be his place in the business organization?

What are the types of minor sales executives? What should be their qualifications? Should they be selected from the plant or from outside the organization? How should they be chosen? To what extent should the principle of foremanship be applied in the management of salesmen? Should sales supervisors, squad leaders or field men be employed in all types of sales organizations? What should be the duties of supervisors of salesmen? Should salesmen be regarded as candidates for promotion through minor executive positions to major positions in an organization?

What are the types of salesmen? Under what condition should sales organization utilize special salesmen for different products? When is it advisable to use junior salesmen and so-called 'missionary' salesmen? How should salesmen be selected? What methods of selection are most satisfactory—interview, application blanks, psychological tests, etc.? To what extent will careful job analysis assist in the selection, training and management of salesmen and sales executives?

D. Branch Office Organization.

What should be the relation of the branch or district office to sales headquarters? Should the branch be practically an independent organization or should it be subjected to close and detailed supervision?

How should branch managers be selected?

What arrangements should be made at the branches for controlling credits, handling advertising, carrying stock, accounting and finance?

E. The Advertising Department.

What should be the relation of the advertising department to the sales department? Should the advertising department be subordinate to the sales department?

Who should pass upon advertising appropriations; upon plans for advertising campaigns?

What should be the relationship of the advertising department to the advertising agency? If a competent adver-

tising agency is employed, is an advertising department necessary?

F. THE EXPORT DEPARTMENT.

Since the export department deals with selling, should it not be combined with domestic sales under the headship of the chief sales executive?

To what extent should the export department be segregated from the domestic sales department?

Should the location of the export department be determined by the same factors as the location of the domestic sales department?

What organization is required for the smooth cooperation of export department, domestic sales department, and production department?

G. Organization for Sales Research and Sales Planning.

What personnel is required for sales research?

What place should sales research and planning occupy with reference to the sales department?

When and to what extent can sales research and market analysis be performed by the advertising agency as part of its work in preparation for advertising campaigns?

H. CREDIT DEPARTMENT.

Should the credit department be a part of the sales department or should control of credits be given to the financial department of the business concern? What are the arguments for each plan? What organization measures help to coordinate credit management and sales? Should the credit department be centralized or decentralized in large organizations selling through branches?

I. Production Department.

What should be the relation of the sales department to the production department? To what extent can organization provide for coordination of sales and production? What are the advantages and disadvantages of committees created for the purpose?

What is to be said for specialized coordinating officers?

J. FINANCIAL DEPARTMENT

What relationship should exist between the sales department and the accounting and financial departments? To what extent should the financial department hold a check over the sales department?

K. Traffic Department Packing and Shipping

What should be the position of the traffic department with reference to the sales department? Should packing and shipping be controlled by the sales department? What means should be adopted to secure proper coordination of activities if packing and shipping is not controlled by the sales department?

*The literature devoted to sales organization is comparatively meager. J. G. Frederick, Modern Sales Management, Chapters I, III, IV and XII; A. W. Shaw, Approach to Business Problems, Chapters III, IV, VII and IX; C. S. Duncan, Marketing: Its Problems and Methods, Chapter 19; will be found helpful.

The most specific printed source of information as to present organization practice is *Modern Sales Organization*, comprising a summary of practices of business concerns as made by J. C. Aspley, of the Dartnell Corporation. John G. Jones, *Salesmanship and Sales Management*, Part I, Chapter 9 and Part III, Chapters I and II; C. W. Hoyt, *Scientific Sales Management*, Chapters I, III and XVI also deal with various aspects of the sales organization.

The following take up sales organization incidentally to the discussion of general business organization: Edward D. Jones, Administration of Industrial Enterprises, Chapters III and VII; D. S. Kimball, Principles of Industrial Organization, Chapter VI; C. B. Going, Principles of Industrial Engineering, Chapter III; Hugo Diemer, Factory Organization and Administration, Chapter III. H. T. Wright gives an interesting viewpoint based on English practice in Organization as Applied to Industrial Problems, Chapter VIII upon "The Co-ordinating Manager," Chapter IX upon "The Commercial Manager," and Chapter X upon "The Sales Department." See further A. H. Church, The Science and Practice of Management, pages 28 and 111, and L. C. Marshall, Readings in Business Administration, articles in Printers' Ink and Sales Management, Sales Manager and System.

Problem 1

Location of Sales Headquarters—Shoe Manufacturers*

(a) The Victory Shoe Company, incorporated in 1907 as successors to a smaller company, has two factories located in Brockton, Massachusetts. The capacity of these plants is about 8,500 pairs per day of men's and women's Goodyear welt and McKay shoes.

Up to 1911 the sales offices were located at the plant. At that time a location was secured in the wholesale shoe district of Boston, 20 miles away, and the selling offices were moved to the market center. Officials believed that there would be a sufficient advantage in location, through the possibility of contact with visiting buyers and with other members of the trade, to offset the very considerable expense of maintaining offices in a high-rent district.

The company distributes its product through its own stores located in the larger cities of the United States and in the smaller places through exclusive agencies. It employs national advertising on an extensive scale. Some emphasis is laid upon mail-order business. Its entire product, with some turned shoes purchased to round out the line, is taken by its own stores and selected distributors, the latter taking 50% of the output. As a means of cutting down expense to meet the needs of a period of depression and falling prices, late in 1920, the company seriously considered the removal of its sales offices to the plant, where sufficient room was available.

Question

Should the company have moved the offices to the plant?

^{*}Upon location as applied particularly to manufacturing plants, see chapters in general works mentioned above, also Shaw, Approach to Business Problems, Chapters III, IX.

(b) The James P. Alden Company, likewise located in a suburb of Brockton, sells a widely advertised, trade-marked shoe through exclusive agencies located in all parts of the United States and through 70 stores in which it holds stock indirectly through a holding company subsidiary to the manufacturing corporation. Its capacity is 24,000 pairs per day, and annual sales over \$25,000,000. Its production comprises only the trade-marked lines.

The company's main sales offices are located at the plant. In the falling market the question came up as to the advisability of locating offices in Boston. It was argued that, with the large production and the necessity of having an extensive list of customers, benefits would be derived from a Boston location.

Question

Should the location of sales offices at the plant have been continued?

(c) The H. V. Hammond Company, located in another suburb of the shoe-manufacturing city, has a capacity of 10,000 pairs per day. Its main sales office is located at the plant, while it maintains a sample room in Boston. Shoes are sold through the regular channels—some of them through wholesalers, but most of them to retailers.

Question

If the sample room is in charge of a competent representative of the sales organization, is there any reason for location of the sales office in Boston?

PROBLEM 2

Location of Sales Headquarters Garment Manufacturers

The White Company of Cleveland, manufacturing women's and misses' suits and cloaks of medium and higher grades, sells its product mainly west of the Ohio River. New York location offers no particular advantage in buying fabrics, because the buyers of the firm attend the openings of the woolen trade in February and midsummer. The company, further, receives style service from various sources and feels that it can keep in touch with styles without the aid of a New York office. On the other hand, there is notable concentration of the suit and cloak manufacturing industry in New York, which is known as the style center for the United States. The cost of a branch office would be at least \$10,000 per year; to maintain the entire sales organization in New York would involve considerably larger expense.

Ouestions

- 1. Should the company establish sales headquarters or at least a branch office in New York?
- 2. If so, is the advantage of a Fifth Avenue location sufficient to warrant the extra expense?

Problem 3 Location of Branch Offices

(a) In August, 1920, the J. V. Hatch Company was organized to take over the Francke Pipe and Valve Company, which was then in the hands of a receiver. The Francke Company had conducted a manufacturing business and pipes, pipe fittings, and valves, with factories in a Rhode Island city and Chicago. The com-

pany had attained a national distribution, but through losses in inventory in the depression of 1920, and a sudden and acute loss of sales, bankruptcy had resulted.

The management of the Hatch Company, in surveying the situation, decided that a reorganization of the distributive system was necessary. Among other things the matter of location of branches and the number necessary to furnish satisfactory marketing facilities were considered. R. N. Smith, the vice-president in charge of sales, maintained that five branches, strategically located, were sufficient for national distribution

Questions

- 1. Was he right in this contention?
- 2. Where should the branches have been located?

(b) The B. M. Swett Company, located in a manufacturing city of New England, is a large producer of woodworking machinery, such as timber sizers, planers, surfacers, molders, automatic knife grinders, trim saws, etc. The machines range in price from \$1,000 to \$9,500 each, vary in weight from 2,000 lbs. to 30,000 lbs., and are sold direct to saw mills, planing mills, furniture factories, and other manufacturers of wood products.

Prior to 1916 the output of the factory was disposed of through agency agreements with machinery dealers in various cities of the United States. At that time the management considered the advisability of attempting to secure a greater degree of control of sales and more aggressive selling by establishing branch offices. The company had sufficient capital to finance such an undertaking. An alternative was proposed of controlling a sales force from the New England office without setting up branch offices.

Questions

- 1. Would it have been advisable for the management to establish branch offices?
 - 2. If so, where should they have been located?
- 3. What should have been the order of establishment?

- (c) The Black Furniture Company plant is in a small town near Michigan's lumber section, originally so located because of the nearness of raw material. company for 20 years manufactured the grades of furniture, selling entirely through agents, one located in New York, and the other in Grand Rapids. Later, through its success in securing designers, it began to acquire a reputation for good styles. lines were added and the cheaper grades ultimately thrown out, manufacture being confined to higher grades in period styles. In 1915 the company wished to take over the sale of its product and to establish its own sales organization to sell to retailers, with such offices as should be necessary. The management was finally able to limit consideration of the location problem to two solutions:
- (1) The location of the main sales office at the plant, with sample and branch offices at Grand Rapids and New York City.
- (2) Location of the main sales office at Grand Rapids with a branch in New York City.

Question

Which location should be adopted?

(d) The Zetter Metal Products Company manufacture steel office furniture, as well as metal lathe and concrete reinforcement material. The company is of comparatively recent origin, having been incorporated in 1916. It has, however, experienced a very rapid growth and the management in the first few years was continually faced with the problem of selecting new locations for branch offices. Sales were made through the branch offices to consumers or direct to retailers. It has been the policy to establish a branch office whenever it has been thought that within a reasonable length of time it would show a profit. In 1917 the sales manager undertook a study of the locations in which he should place his branch offices with a growth of business.

Question

What locations should be have chosen?

Problem 4

LOCATION OF BRANCHES—MACHINERY MANUFACTURER

The Electric Crane Company, manufacturing electric overhead traveling cranes, electric hoists, electric ship winches and accessories, has a plant located in central New York. Sales headquarters are located at the plant. The company has five branch offices at New York City, Philadelphia, Pittsburgh, Chicago, and San Francisco owned and controlled by the company and nine agents selling on a commission basis in other cities. The sales are made direct to user; and, since each sale is in part an engineering proposition, it is necessary to work up each contract over a considerable period of time by conferences with the engineering departments of customer concerns. The salesmen are without exception men of engineering training and experience.

The branch offices have proved very satisfactory in the experience of the company and it is contemplating adding three new ones in the very near future as part of the plan of having branches in all of the most important centers of the country.

Questions

- 1. Where should the new branch offices be located?
- 2. What considerations should determine the order of their establishment?

PROBLEM 5

LOCATION OF WAREHOUSES

The Lever Brothers Company manufactures a line of soap and soap specialties, its product being nationally advertised and having a very large distribution, particularly among grocers. The company distributes through jobbers, maintaining, however, a large force of salesmen to solicit business through retailers, orders secured being turned over to the jobbers for filling. It is estimated that this company, for certain of its soap products, reaches over $SO_{\mathcal{L}}^{rc}$ of the grocers of the United States and a large proportion of drug stores and department stores.

The Procter & Gamble Company, a competing concern, has recently undertaken to distribute direct to retailers, discontinuing its dependence upon jobbers. The company has likewise achieved intensive distribution of its product among grocers on the basis of long-continued advertising in national and local media and by a long period of personal solicitation through its sales force cooperating with jobbers.

In order to supply the trade, both concerns have found it necessary to establish warehouses or engage warehouse facilities in various cities.

Questions

- 1. What should be the number and location of ware-houses for Lever Brothers, in order to satisfactorily serve the jobbing trade?
- 2. How would the number and location of warehouses be changed to fit the needs of Procter & Gamble in distributing direct to retailers?

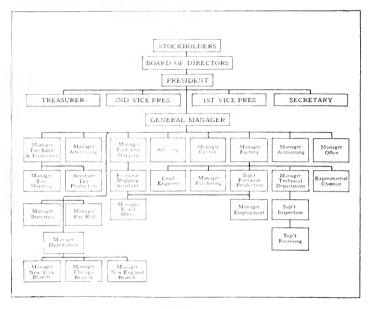
PROBLEM 6

Sales Organization—Conflicting Authority

The Currier Rubber Company's organization is in general of the military type, authority passing directly from the president to the workmen at the benches. Because of personal interests and preferences, there is no clearly defined concentration of authority, each officer lending his hand in almost any line when emergency arises. The sales manager of the factory or New England sales branch handles all the stock issues of the company and performs all duties connected with the development of new products.

The board of directors consists of the president of the company, who acts as both general manager and manager of distribution, the treasurer who is also first vice-president and factory manager, the second vice-president who is manager of tires and advertising, the manager of the Chicago office, and two other men not directly connected with the company; the secretary acts as paymaster and reports directly to the president. One man acts as office manager, accounting manager, and statistical manager; another man acts as attorney; another as manager of shipping and stores; a fourth, who is manager of credits, reports

directly to the president, as do the others. The managers of the New York, Chicago and New England districts report directly to the president, acting in the capacity of managers of distribution. If one bears in mind that in several cases one man occupies two or more of the positions indicated, the following chart will illustrate the present organization.



Question

Draw up a plan for an ideal organization for this concern, which may be used as a basis for developing the present organization as changes take place from time to time.

Problem 7

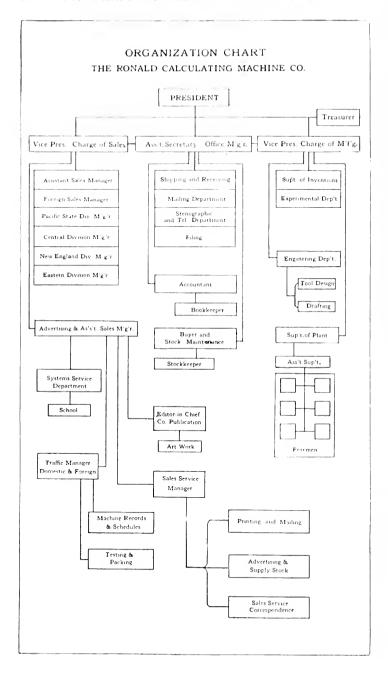
LINE-AND-STAFF ORGANIZATION

Although military or line organization insures clear demarcation of authority, the many decisions to be made in large organizations upon matters of sale, production and finance demonstrate the desirability of securing some of the advantages of functional specialization without the possible confusion of authority. Many firms have, therefore, adopted a combination usually called "line-and-staff" Among these is the Stetson concern, manufacturing pipe fittings and valves. Authority is transmitted directly from the president to the following officers: vice-president in charge of engineering, purchasing agent, comptroller, vice-president in charge of production, employment manager, vice-president in charge of sales, treasurer. and traffic manager. The president is assisted by the executive committee, consisting of the comptroller, vice-president in charge of sales, and staff assistant or chief of staff; also by the staff consisting of an organization expert, the executive assistant to the president, and the staff assistant mentioned above.

The ideal staff features in any large industrial organization are said to include a chief of staff, who should be broadly educated and expert in management and whose duties should be to direct research and conferences between staff and line. In addition, there should be as members of the staff, first, one versed in accounting, business statistics, records, and cost systems; another, an engineer in charge of testing materials; a third, capable of giving advice relative to buildings, equipment, and production methods; a fourth, able to handle labor relations.

Questions

- 1. Is the staff of the Stetson Company complete?
- 2. Under what conditions can such a staff fulfil the functions of an ideal staff?
- 3. Is any staff complete without a member competent to give advice as to distribution problems?



PROBLEM 8

CHANGING LINE TO LINE-AND-STAFF ORGANIZATIONS

The chart on page 40 illustrates the line organization of the Ronald Adding Machine Company, which manufactures adding and calculating machines and distributes them throughout the United States.

Questions

- 1. What changes would be necessary in the organization in order to make it a line-and-staff organization?
- 2. What would be the advantages of a change from the viewpoint of management of sales?

PROBLEM 9

Functional Organization* .

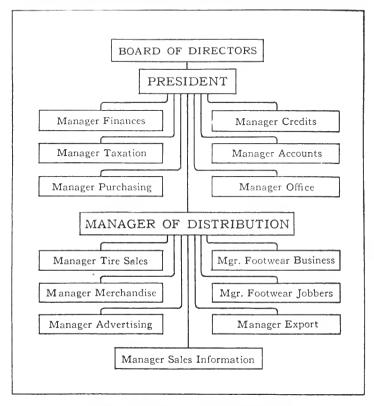
The general manager of a large rubber manufacturing concern located in Akron is an enthusiastic advocate of functional organization. The organization of his firm is illustrated by the diagram on page 42.

In preparing the organization manual, the duties and authority of the principal members of the department were outlined. The following are examples as applied to the manager of distribution and one of the subordinate executives:

General Scope of Duties of Manager of Distribution

- (a) He is to have entire charge of personnel in branches operating under the management head.
- (b) He is to have responsibility for control of expenses of operation of branches.
- (c) He is to carry out the sales policies of the Manager of Distribution.
- *In addition to the general works mentioned above, see F. W. Taylor, Shop Management, pp. 95-107.

- (d) He is to see that the written accounting systems of the Manager of Accounting are carried out in the branches.
 - (e) Same for credit.
- (f) He is to carry out the merchandising policies as issued from time to time by the Manager of Footwear Merchandise.



Duties of Manager of Sales Promotion (Reports to Manager Tire Sales)

- (a) He has direction of branch salesmen's work, subdivided into:
 - (1) Securing and handling of salesmen's reports and weekly letters.
 - (2) Issue to salesmen and branch managers series of bulletins regarding details of sales work.
 - (3) Compilation of the sales manual.

- (b) He is to keep in touch with the advertising campaigns and policies of the company and interpret the same to the sales force
- (c) He is to cooperate with the statistical department and from the statistical department derive figures on which to base territorial analyses.
 - (d) He is to keep records of each salesman's efforts.
- (e) He is to lay plans for sales campaigns in order to realize quotas set by the statistical department.
- (f) He is to organize a system of sales promotion in connection with inquiries received from advertising media.
- (g) He is to delegate to an assistant the duty of the details involving the interpretation of policies and statistics to the sales force so as to keep branch sales forces properly informed at all times as to objective desired and results accomplished.

Question

Prepare a set of instructions for the manager of tire sales, the manager of tire branches, the manager of tire jobbers, who reports to the manager of tire sales, and the manager of advertising.

Problem 10

FUNCTIONAL ORGANIZATION—CONTACT WITH CUSTOMERS

The sales manager of a large clothing manufacturer selling direct to retailers, whose sales amount to some five million dollars per year, found that his gross sales had been stationary for several years. More salesmen were hired, territories were cut down, and advertising was increased without material results. Further analysis of sales data showed that the sales per customer were small, that the changes in the list of small customers were numerous, and among large customers few. The conclusion was drawn that there was discrimina-

tion among large and small customers, although salesmen were continually ordered not to favor large customers. While close examination revealed no glaring discourtesy to small customers, it was found that members of the sales department were much better acquainted with the larger customers and that much more satisfactory letters were written to them. sales manager felt that the fault was not that of any individual, but lay in the organization itself. internal organization was largely functional; the credit man and a few correspondents (his assistants) took care of all credit problems and handled all correspondence as to credits. Another department head, with his assistants, took care of all complaints whether referring to goods, prices, shipments, returns or other matters. Still another department handled all correspondence relating to sales promotion.

The sales manager has great confidence in functional organization, but he is impressed with the fear that it tends to cause lack of contact between house and customers

Question

Is it possible to offset this disadvantage by a modification of the present organization?

Problem 11 Committee Organization

The Hammett Company manufactures an extensive line of paper products, including labels, tags, tissue papers, jewelry boxes, paper articles for holiday trade, etc. The board of directors consists of six men, one of whom is in charge of purchasing; the second in charge of manufacturing, warehousing, shipping, finance, accounting, and office; the third in charge of the retail stores maintained by the company in five of the larger cities; the fourth in charge of merchandising;

the fifth in charge of selling personnel; and the sixth in charge of foreign sales.

Extensive use is made of a system of advisory committees which are not themselves executive bodies, but are in all cases advisory to some executive. The work that the committees undertake is of various types, but in general, wherever the development of plans and policies calls for full presentation and understanding of the interests of two or more separate administrative units of the business—for instance, production and sales, production and foreign sales, domestic sales and foreign sales, or the like—wherever coordination is the principal problem, committees are used and the management claims that they fill a place that cannot be filled by any other device of management.

Relating to sales work there are several types of committee:

- 1. The subordinate merchandise committees.
- 2. The chief merchandise committee.
- 3. The advertising committee.
- 4. The sales committee.

The subordinate merchandise committees are five in number, divided and named according to the sales departmentalization of the product of the company; e. g., the holiday trade committee, the jewelry trade committee, and others. The chairman of a committee is the merchandise manager for that department; the man whose duty in the sales work is to stimulate the sale of products placed in his department. Other members of these committees are taken from the sales force and from the production departments. Each committee acts in an advisory capacity to the chief merchandise committee on such matters as regards means of improving the product, packaging, and stimulation of sales.

The chief merchandise committee consists of the five merchandise managers, those who act as chairmen of the subordinate committees. This committee passes on all recommendations of the subordinate merchandise committees. Briefly the functions of the merchandise managers and of this committee are as follows:

Direction of sales by lines.

Instruction of salesmen in selling.

Development of merchandise.

Control of schedules for making and introducing new merchandise.

Passing on all questions relating to change of labels, goods, or put-up.

Dropping of old merchandise, or disposing of dropped goods.

Recommendation of selling prices to the estimating department, whose schedules, in turn, must be approved by three directors.

The advertising committee, which consists of the advertising manager, one territorial sales manager, the chief sales correspondent, and the assistant manager in charge of dealers' and consumers' service work, originates advertising plans, and passes on the recommendations of merchandise managers as to advertising.

The sales committee is an unofficial body consisting of the territorial sales managers, the advertising manager, the president, and the director of finances and manufacturing, which outlines the major policies of selling to be passed upon by the board of directors.

Supervision of the sales force and the total sales, as contrasted with sales by departments, rests with the director of selling personnel, who has two assistants or territorial sales managers aiding him. The director also acts as a territorial sales manager. A list of the functions of the territorial sales managers follows:

Management of district managers and salesmen.

Jurisdiction of total sales (sales by departmental lines to be accounted for by merchandise managers).

Passing upon questions of policy affecting relations with customers. (New policies or interpretation of difficult cases rest with a committee of directors).

Direction of sales correspondence as recommended by subcommittees on sales correspondence.

Promotion of new methods of selling.

Question

Would it be advisable to change the status of the committees so that instead of being merely advisory, their decisions should be mandatory?

Problem 12 Committee Type of Organization

The Rand Soap Company, of Philadelphia, produces soap products and distributes these nationally under well-known brands. Prior to January, 1920, the sales organization was as follows:

A vice-president in charge of sales had full authority over all sales work. Under him were the following assistants: (1) the assistant sales manager in charge of personnel, under whom were branch managers, (2) the export sales manager, (3) sales-promotion manager, who handled dealer helps and secured new dealers (4) two merchandise managers whose duty it was to stimulate the sales of different products put under their jurisdiction, (5) the statistician. Branch managers located in seven cities in the United States were given control of the salesmen. The sales department had no wellworked-out plan of cooperating with the production department to secure coordination of sales and production. Further, it was the opinion of the vice-president in charge of sales that there was a lack of cooperation between the various members of the sales staff. After a study of sales organizations he came to the conclusion that the committee system would help to solve the difficulties which the company was experiencing. He recommended to the Board of Directors that such a system be adopted, and presented the following plans used by other manufacturers as being adaptable to the Rand organization:

- (1) The Miller Company, located in Bridgeport, Connecticut, manufactures a large line of machine tools, pipe tools, and small tools used in wood and metal working trades. Their sales organization is of the committee type, the direction of sales being divided between three sales managers, each one is charge of a particular line of products, and the sales promotion manager. These four managers act as a committee in the management of district sales managers, and through them the salesmen, while the general superintendent of production, the merchandise manager, the export sales manager and the sales-promotion manager make up what is called the "planning board," the members of which are under the control of the vice-president and general manager. who is chairman of the planning board. The duty of this planning board is to bring about cooperation and coordination in the activities of the various members of the organization. The sales-promotion manager has charge of the printing, advertising, dealers' service, and research. The merchandise manager has charge of orders, claims, service, stocks, bills and stenographers. The duties of the other managers are indicated by their titles.
- (2) The Moody Company manufactures office appliances and divides the country into seven districts. The product of the company is such that there are no repeat sales. In addition to other duties the chief sales executives are given titles of regional directors, the sales manager taking one district, the secretary of the company another, the advertising manager the third, the sales-promotion manager the fourth, etc. In order to develop close personal contact, these regional directors take frequent trips into the districts, meet the salesmen personally, discuss problems with them, and get acquainted with general conditions in the territory. Every six months districts are shifted so that in the course of three years and a half the sales executives have for a period intimate contact with personnel and problems of each sales district. In turn, the sales executives meet in committee to discuss the sales problems arising in the different districts. The regional directors, although outranking the general sales manager in their general authority, in no case exercise this authority except to work their divisional sales managers.

The board of directors undertook a discussion of the limitations of the two plans as outlined above by the vice-president in charge of sales.

Questions

- 1. What plan, with modifications, would have been best suited to the Rand Company?
 - 2. What changes should be suggested?

Problem 13

DECENTRALIZATION OF SALES ORGANIZATION

The Hempstead Company manufactures loose-leaf devices and filing equipment. The sales force operates under the direct supervision of district managers with sales offices in 60 cities. Four factories are operated: one in Springfield. Massachusetts: the second in Grand Rapids, Michigan, the location of the first factory and present location of executive offices; the third in St. Louis. Missouri: and the fourth in San Francisco, California. These serve their surrounding territories, division being made on state lines. company is considering the decentralization of its sales organization along similar territorial lines, each division to be placed in charge of a division manager. hoped that this will bring about more intensive cultivation of territory, which will in turn require an enlarged sales force. It is proposed, also, to add a research and development department, the province of which will be to seek out new and unconsidered lines of business, determine their needs and the ways wherein the company's equipment can be made to serve them with the highest degree of efficiency.

Questions

1. What action would you take with reference to the new division of territories and the addition of territorial managers?

2. Would it be advisable to establish executive offices in Chicago or New York or at some other point?

PROBLEM 14

DEPARTMENTALIZATION OF SALES ORGANIZATION

The Marion Rubber Company, of Akron, Ohio, manufactures a complete line of rubber footwear, including tennis and other styles of rubber-soled shoes, rubber boots, rubbers, and rubber overshoes; also a line of tires which have been widely advertised and distributed; thirdly, a line of rubber sundries—hotwater bottles, ice-bags, etc., sold usually by druggists.

It has been customary for the company to have three groups of salesmen: one selling tires, another selling the footwear trade, a third selling rubber sundries. This plan was adopted because it was thought that the single salesman could not handle satisfactorily lines sold to various classes of trade.

The general manager asserts that the lines are not so technical that special men are required for each, and that given a man with sales ability it would be possible for him to handle satisfactorily the three classes of trade. The sales managers for these three lines disagree, citing the instances of firms both in their own line and in other lines in which men are employed to specialize on particular products.

Questions

1. State briefly the case for each view.

2. If the general manager's view prevails, what steps should be taken to reorganize the selling force?

Problem 15

SALES DEPARTMENTALIZATION

(a) Wells & Company, a firm of textile sales agents, dispose of a product of a group of four large manufacturers. Their product consists of the following: wash goods, serges and flannels, percales, cambrics, galateas and flannels; muslins, voiles, etc.; etamines, cretonnes, satins, taffetas, etc.; shirtings, percales and madras; twills, drills and ducks; corduroys; black and white fancies; fustians and moleskins; khakis and uniform cloths; velveteens and plushes; blankets and robes; men's, ladies' and children's hosiery.

Questions

- 1. On what basis should the selling house departmentalize its business, if at all?
- 2. Should specialty salesmen be used for particular lines?
- 3. If so, what line should be grouped for individual salesmen?

(b) An association of wholesale grocers in financing an investigation, the purpose of which is said to be to produce a better understanding of the basic principles of wholesaling, to dispel uncertainty in the business and to eliminate losses. It is suggested that the organization work out a plan or system of uniform operation to be adopted by all wholesalers and to be of a character to give the trade the system it absolutely must have in order to be successful. The need of departmentalization in a wholesale business along standard lines is pointed out, so that the wholesaler will not only know what his business in the aggregate is, but what the various departments and items making up all of

the stock are producing for him. The common standardization of departments in the trade would make it possible for the wholesaler to give his salesmen definite instructions as to the actual cost of merchandising, which in the end would result in better service to the retailer and consumer.

Questions

1. What should be the basis for departmentalization for wholesale grocers?

2. How should this basis for departmentalization be determined so as to fit large concerns, as well as small local jobbers?

Problem 16 Product Sales Manager*

The Pure Food Mills produce a group of patent, widely advertised cereals. The company has recently reorganized its sales organization to provide geographical division of the country under a definite number of division sales managers, with several product sales managers who are held responsible for volume in their particular departments. These product sales managers have no voice in the hiring, firing or control of salesmen. Their job is to work out special sales plans for their product, to coach the salesmen when required regarding the sale of their product and to make sure that every possible avenue of distribution is being utilized by the various division managers. rank on a par with the division managers, and like the division managers are under the direct control of the vice-president in charge of sales.

^{*}Sales Manager, October, 1920. Should there be Separate Departments and Sales Forces for Different Products Made by One Concern?

Questions

- 1. What are the advantages and disadvantages of such an organization?
- 2. Would the plan be applicable to a large whole-sale dry-goods concern handling piece goods, women's ready-to-wear, knit underwear and hosiery, and dry-goods notions?

Problem 17

Sales Organization—Financial Limitations

The Smith Graphite Company manufactures graphite electrodes used in electric furnaces and electrolytic work, graphite powder used in the manufacture of electrodes as battery filler, in paint pigments, and, when mixed with grease, as a lubricant.

The market for electrodes is confined to the limited number of electric furnaces. The graphite market is also limited, and one-fourth of the total production of these products is marketed in foreign countries. For the electrodes and powder there is a regular sales organization; but, since the market has in the past been so definite and limited, the sales force has been very small. The electrodes sales force divides the United States into four districts, one man covering each. The salesmen are technically trained men, who spend about one-third of their time on the road selling, educating, and giving actual and potential customers advice on electric furnace installation and operation.

The number of electric furnaces is comparatively small. All electric furnace operators are known and are canvassed by mail and in person. The greatest difficulty in increasing the sales of graphite electrodes

is that the number of electric furnaces is very limited, and it is difficult to accomplish the preliminary sale of the electric furnace idea. Of the total sales of about \$7,500,000 per annum, the electrodes and graphite total about \$6,120,000, the sales of the lubricant about \$380,000. Since the lubricant is of superior type and can be utilized very successfully for automobiles and all mechanical devices, the company feels that there is a very great field for expansion of this product. Increased production offers no difficulty, and there is sufficient working capital so that with the present small production, \$150,000 or \$200,000 could be used if necessary for developing distribution of the product.

Questions

- 1. What sort of organization would be advisable?
- 2. What would be possible under the financial circumstances?
- 3. Could the existing organization be modified or expanded to take care of this active sale of the new product?

Problem 18

Sales Organization—Financial Limitations

Mr. King has obtained possession of a recipe for a prepared pastry flour, samples of which have passed very satisfactory tests when submitted to cooking schools, housewives, and chemists.

He finds that this can be manufactured for him at a cost of 6 cents per pound in bulk, to which must be added, of course, the cost of the package, if he desired to market it as a specialty.

To secure the packages economically, it is advisable to purchase them in lots of 25,000, involving the outlay

of about \$2,000 for these and packaging machine. Settlement with the milling company must be made every 15 days.

Mr. King proposes to form a corporation with a capitalization of \$10,000, of which \$5,000 will be paid in each.

Questions

- 1. What advice would be given to Mr. King regarding his sales organization?
 - 2. What volume of sales can be handled?

PROBLEM 19

Manufacturer to Retailer Sales Organization

The Cummings Company, located in Dayton, Ohio, manufactures a line of electric accessories for automobiles and a line of specialties for Ford cars, which are sold throughout the United States by accessory and hardware jobbers. Ten salesmen are employed to reach the jobbers. The jobbers demand a discount of 45% from the list price; in turn, they grant a discount of 25% to retail accessory dealers.

Officials of the Cummings Company have come to the conclusion that the jobbers are not taking a satisfactory amount of interest in the Cummings line and that they are not pushing their sales as is desired. They recognize that the jobber handling hundreds and even thousands of articles can not or will not ordinarily single out any particular line for more than occasional emphasis. However, complaints have frequently come from retailers that the jobbers, who are assumed to be handling a complete line of Cummings accessories, are unable to supply the demands of

retailers and attempt to substitute accessories made by

other companies.

In conferences among the officials of the company. two suggestions for action have been brought up; first, that of engaging in an extensive advertising campaign to consumers with a view of compelling iobbers to keep sufficient stocks; second, a reorganization of the sales force to sell direct to retailers. Statisties published by the National Automobile Chamber of Commerce estimate the number of automobile supply dealers of all classes at 47.416, the number in a state varying from over 4.000 in Pennsylvania to 70 in Nevada. There are 16 states in each of which there are located over 1.000 supply dealers, 11 states with 500 to 1,000 dealers, the remaining having less than 500. It is estimated that the annual cost of an advertising campaign of necessary size would be approximately \$100,000.

Questions

- 1. Is there any way of estimating the financial advantage or burden connected with the second plan of direct distribution to dealers?
 - 2. Which plan is to be preferred?
 - 3. Is there any other solution?

Problem 20

Organization for Sales to Manufacturers

The Hunter Tanning Machine Company produces a line of machinery used for tanning and for beltmaking. Its patents are important, and its product is in demand wherever tanning or belt-making establishments are found. At the present time, the machinery is sold through a manufacturers' agent located in New York, while the foreign sales are handled through export houses. The home organization is, therefore, very small.

The board of directors have come to the conclusion that the present sales arrangements are not satisfactory, that the company is not getting the benefit of any degree of control of the consumer market; in fact, that it is out of touch with its customers and is at the mercy, in a sense, of its agents.

The board of directors has, therefore, decided that a sales organization must be established for the company; but, before definitely committing itself, wishes a plan to be submitted from which they can obtain an idea as to the probable expense of establishing such an organization and the results to be obtained thereby.

Question

Under the circumstances, what type of sales organization would you suggest?

Problem 91

Sales Organization Biscuit Manufacturer

Manufacturers of crackers and biscuits, such as the National Biscuit Company, Loose-Wiles, and others, have found it good policy to have salesmen call upon city trade at least every two weeks and town and country trade at intervals of three weeks. The larger concerns centralize both production and sales forces according to the territory served by each factory. The buyers are retail groceries of all sizes, ranging from the extremely small unit store to the largest chain store organization.

Local interests in Omaha, Nebraska, are establishing an independent factory for the manufacture of crackers and biscuits. The board of directors, in selecting the sales manager, have asked the candidate to present an outline of the organization necessary showing the number of salesmen and the probable weekly payroll for the sales organization, so that the management may determine the amount to be set aside for working capital on account of sales operations. In production costs, it is expected that the new plant will be on a par with manufacturers of St. Louis, Chicago, and other competing cities. It is planned to cover thoroughly the city of Omaha and surrounding territory within a radius of one hundred miles. It is recognized that in its own territory the independent plant will meet the competition of representatives of two large consolidations and also the competition of large manufacturing jobbers located in Chicago and St. Louis who, through traveling salesmen, reach all the more important grocers in that neighborhood at least every three or four weeks.

Question

How should the sales manager prepare the statement requested?

PROBLEM 22

Shaping the Organization to Provide for Expansion

The Crane Automobile Company has been organized to place a high-grade automobile on the market. Sales headquarters and plant are to be located at Indianapolis. The president is particularly interested in the production end and has assumed the position of works manager. The output as planned will be

approximately 3,000 cars the first year and 6,000 cars the second. Various bodies are to be offered, the touring body selling at about \$4,000. It is planned to give a discount of 30% to dealers. With this volume of production and the expected increase in capacity, the directors are convinced that the distribution must be national and that a corresponding organization must be built up. They can without difficulty set aside \$300,000 for handling distribution. More can be secured if necessary, but at a sacrifice which the directors are not willing to make unless compelled to do so.

It is expected that the first cars will be ready for shipment during the second half of February and that the sales department should be able to dispose of cars as fast as produced, at least until the first of September, at which time the capital available for the handling of sales will have been increased. According to the trade custom it is expected that cars will be sold on sight-draft, bill-of-lading terms.

Questions

- 1. How should the sales manager estimate the amount of capital required to attain national distribution within the time limit?
- 2. Submit a proposal as to the type of organization advisable and possible under the financial circumstances.

Problem 93

Adapting Sales Organization to Volume of Business

The Wyman Company, a wholesale dry-goods concern located in Minneapolis, carries a general line of dry-goods, including piece goods, women's ready-to-wear, underwear, notions, and some men's furnishings. Its market is limited by the competition of Chicago houses on the east and south and by transportation costs on the west.

In the experience of the company, it has seemed that Minnesota, Iowa, Nebraska, North and South Dakota, Montana and Wisconsin constitute the logical territory. The concern has recently changed hands. The new sales manager, in analyzing his problems, is attempting to formulate a plan for an ideal organization. Sales next year will probably be around \$7,500,000. It is assumed that the good salesman can sell about \$80,000 a year. In addition, the new company plans to stress mail-order sales on the basis of a comprehensive catalog issued twice a year. Salesmen visit customers on the average of four times each year.

Questions

- 1. What organization would be necessary to handle this volume of business?
- 2. What other obtainable facts would be helpful in determining an organization?

Problem 24

Adjusting Sales Organization to Increase of Productive Capacity

The Fernald Motor Car Company, of Milwaukee, manufactures motor ears of the passenger type. It has no direct factory branches, but sells through distributors appointed to act as jobbers and agreeing to take at least 50 cars a year. Subject to the approval of the manufacturers, these distributors appoint local dealers in their respective territories, for whose credit they assume responsibility. The cars are shipped direct, either to dealers or distributors, from the factory. When contemplated additions to the factory are completed, the annual output of the factory will be around 12,000 cars, amounting to approximately \$30,000,000.

The sales department is headed by a general sales manager under whom are four territorial sales managers—Canadian, southern, southwestern, and northwestern—whose duty is to keep constantly in touch with dealers and distributors in these territories in a supervisory capacity.

Advertising work, carried on under the direction of the advertising manager, includes the preparation of all advertising copy and sales literature. A subdepartment of the advertising department, the promotion department, produces monthly the house organ circulated among owners, distributors, and dealers. Export sales are handled as a separate department by an export house in New York, which also takes charge of all export advertising done in foreign publications. There are really no definite sales districts in the strict sense of the word. While the advertising department is conducted as a separate department, it comes under the supervision of the general sales manager. The credit department is entirely separate from the sales department. Sales conferences are held when deemed necessary and not at any stated intervals.

Question

Since the contemplated production involves a 50% increase over previous production, will changes have to be made in the sales organization?

Problem 25

SALES ORGANIZATION FOR CONTRACT SALES

(a) The Sweets Company of America manufactures a small line of eardy specialties put up in 5-cent packages. According to published reports, the directors appear to have definitely adopted the policy of concentrating selling efforts upon large distributing agencies. Within a short period of time, arrangements have been made to distribute the entire production of the plant through chain stores encircling the country.

Among the contracts of the company are those with the Union News Company, the United Cigar Stores Company, the Schulte Company, the Great Atlantic and Pacific Tea Company, and the Liggett stores. The sales of the company amounted to over \$2,000,000 in 1919.

Question

What sales organization is necessary?

(b) A southern chemist, after four years of experimenting, has succeeded in making news print paper from native Florida saw-grass. A company is being formed under the name of the Modern Pulp and Paper Corporation, and the promoters are planning to establish the initial saw-grass pulp mill in Florida within a few months. It is also planned to build altogether 10 mills in various parts of the state. There are millions of acres in Florida, and it is reported that the company has enough material under its control to run many mills in addition to the 10 contemplated.

Due to differences of many leading newspapers with the chief manufacturers of news print paper in the United States during the war period, it is expected that there will be no unusual difficulty in breaking into the news print market and of securing contracts with a sufficient number of newspapers to take the entire output.

Question

Make out a plan for a sales organization for the company, assuming that it is able to manufacture about 200 tons per day during the first year.

PROBLEM 26

Sales Organization—Type of Customer

Among sales organizations, one will occasionally find examples of sales departmentalization not according to production or territory, but according to the type of customer to whom goods are to be sold. The Chase Company, a firm of wholesale grocers which maintains one wholesale establishment and three retail stores in Chicago, has a general sales manager under whom are the following sales managers: (1) sales manager of the wholesale consumer department;

(2) sales manager of the retail department; (3) sales

manager of dealer stores.

A large printing establishment, which makes a specialty of printing books, has two sales managers, one called sales manager and the other specialty sales manager. The specialty sales manager handles all sales relations with a small number of big customers, usually publishing houses. He advises them on the set-up of books and endeavors to get as much of their business as possible. The sales manager has charge of all other sales and has under him the several salesmen who approach publishing houses and individuals who have books to be printed.

Questions

1. What justification is there for departmentalization upon the basis of type of buyer?

2. Under what conditions is such departmentalization advisable?

Problem 27

FUNCTIONS OF THE SALES MANAGER

The Bureau of Foreign and Domestic Commerce,*in its report upon the men's clothing industry, makes the following statement:

The several methods of distributing men's factory-made clothing are as follows: by selling direct to the retail trade, by 'tailoring to the trade', by mail order, or by selling to jobbers. The bulk of men's factory-made clothing is sold direct to retail stores. In order to reach this trade, the manufacturer employs traveling salesmen who cover a defined territory and call personally on the retailers.

*The Men's Factory-Made Clothing Industry, Department of Commerce, Miscellaneous Series No. 34, p. 239

Practically all men's ready-made clothing is made to fill orders and little, particularly in the higher-priced lines, is made for stock.

The manufacturer has new designs perfected well in advance of the opening of the season. Sample garments are made up for each traveling salesman, and in addition 'swatches', or samples, of various styles of cloth, are carried. The salesman submits these samples to the retailers in his territory and takes orders for future delivery, these orders being sent to the factory and there made up according to specifications. Orders are recorded three to six months before delivery.

There has been a growing tendency in recent years for manufacturers to do 'tailoring to the trade'. This branch of the industry is making strides, and certain concerns confine themselves entirely to this line of business. Others use it as a 'side line', in addition to dealing with retailers in ready-made clothing. The initial expense is very large, since it requires the making up of an entire line of samples bound in book form, and in addition very frequently madeup models are furnished. It is said, however, that the returns justify the expense, since ventures in this line have proved very profitable. 'Tailoring to the trade' is handled for the manufacturer by merchant tailors or, in the smaller towns and villages, by retail stores. The customer selects the style of cloth he desires from the book of samples, his measure is taken, and the order sent to the factory. garment is made up and sent for a try-on, and if necessary, is returned to the factory for proper alterations.

Mail-order houses sell entirely through catalogs or by advertising. Both ready-made clothing and made-to-order garments are sold in this way. Some mail-order houses have their own factories, while others buy from the regular manufacturers. It is also said that mail-order houses buy up the left-over goods and odds and ends that the manufacturer is unable to sell to the retail trade. The greater part of the clothing sold by mail-order houses is disposed of in small towns or in rural districts.

Mail-order houses that make clothing to individual order secure their trade principally through advertising. Cloth samples are sent to the customer, from which he makes his selection; he has his measure taken and sends the order to the mail-order house, where the garment is made up. This branch of the mail-order business is similar to 'tailoring to the trade'.

There is very little field for the jobber now in handling men's factory-made elothing. Changed conditions in the industry have caused almost the entire elimination of the jobber as a medium of distribution. The manufacturers have preferred to deal directly with their customers and desire to establish a custom which is their own and upon which they can rely. The little business that is now done with jobbers is the cheapest only, and in job lots and left-over stock.

The statement has been made that, in the clothing industry in the past, very little study has been accorded to the management of sales; in fact, it is stated in 1915 that it was the last of all big businesses to recognize the necessity for scientific management.

Every concern needs a sales manager who can:

- (1) Prepare a comprehensive analysis of the entire sales;
- (2) Tell which salesmen are most profitable;
- (3) See that each salesman secures the volume of business the line is entitled to in the territory assigned him;
- (4) Compare the variations in cancelations and credit losses as to territories and study divergencies;
- (5) Compare the expenses of men in different districts and analyze reasons for variations;
- (6) Prevent overlapping of salesmen and concentrate territory, since the question of personal acquaintanceship is not so important a factor in selling as formerly;

(7) Find employment for the men during the seven or

eight months of the year they are not traveling;

(8) Supply salesmen with technical knowledge as to the goods.*

Question

Would this description constitute a list of functions of the sales managers of clothing concerns of the types described?

^{*}Printers' Ink.

Problem 28

Qualifications of Sales Executives

Mr. Gowin, in his book, *The Selection and Training of the Business Executive*," states that on the basis of an investigation carried on among 276 firms, the following are the chief requisites of the executive:

(Education and experience as such omitted)

Order determined by average rank		ige rank igned
1	Judgment (Reasoning ability, accuracy in conclusions, ability to profit by experience.)	3.21
2 .	Initiative (Alertness, imagination, originality, independence in thinking.)	4.30
3	Integrity (Truthfulness, honesty, sincerity.)	4.58
4	Organizing Ability (Systematizing, classifying according to functions, planning and delegating.)	
5	Health (Bodily vigor, good sight, hearing, etc., included.)	5.98
6	Perseverance (Industry, ambition, concentration.)	6.40
7	Aggressiveness (Energy, courage, domination by will.)	6.83
8	Openmindedness (Reasonableness, teachableness, openness to new ideas.)	7.09
9	Cooperativeness (Unselfishness, kindness, cheer- fulness, tact, loyalty.)	7,97

Order determine by average ranl		rage rank ssigned	
10	Competitiveness (Interest in playing the business game.)	9.60	
11	Control of Emotions (Freedom from outbursts of anger or touchiness.)	9.81	
12	Refinement · (Courtesy, manners, general culture.)	10.30	
13	Appearance (Well-groomed appearance, good carriage, pleasing facial expression, voice, etc.)	10.51	
14	Sense of Humor	12.26	

Questions

1. To what extent do these apply to the sales manager?

2. Do the qualifications required in a sales manager

vary with the type of product to be sold?

3. Does the experience of an executive who has successfully sold concrete buildings unfit him to direct the sales organization of a grocery specialty?

4. It is frequently said that most men do not possess both analytical and executive ability. To what extent does that fact bear upon the division of functions of planning and performance within a sales organization?

PROBLEM 29

Sales Manager in Wholesale Concern

In comparatively few wholesale establishments or larger retail stores are sales managers employed. Sales of the various departments are ordinarily in charge of buyers: that is, the buyer is the head of the department, having charge not only of buying, but also of selling. There are notable exceptions to the general rule and one of these, a large wholesale grocer in Chicago, is said to have demonstrated beyond question the advisability of having a sales manager by the way in which he was able to meet the situation created by the falling market of 1920-21. the few retail stores which have added officials whose view-point was primarily that of selling are said to have been able to weather the adjustment period more successfully than those in charge of buyers. estimated, however, that, out of over 4,000 wholesale grocers, less than 10% have a man holding the position of sales manager.

The Lawson Company, located in Columbus, Ohio, operates a wholesale grocery concern in the territory naturally tributary to Columbus. Its field is limited on the north by Cleveland and on the south by Cincinnati. It employs ten salesmen, who call upon the trade at least every two weeks. During the period of adjustment, the president feels that sales have not been what should be expected even under the conditions prevailing. Furthermore, large losses were taken on inventory when the books were closed in December, 1920. The president has consulted with several men experienced in sales management, who advised him that the creation of the position of sales manager and the change in organization to take control of sales from the hands of buyers would benefit the company.

Question

Write a letter to the president, embodying the arguments for a sales manager and meeting the objections which will be brought up.

Problem 30

Sales Organization - Selection of Sales Manager

The Daly Company are manufacturers of laundry and toilet soaps and special preparations, specializing upon a comparatively few products: one a soap flake for washing fine fabrics, another a quality laundry soap, the third product a dye soap. These, with two or three other products all of which have been widely advertised, make up the entire line.

Up to 1919 the entire output was sold through manufacturers' agents in New York, who had charge of the advertising and who had been successful in creating a nation-wide market for at least one of the products. These agents also marketed a certain highly advertised milk chocolate and a widely known witch hazel preparation and a number of other articles of diverse character. The manufacturers' agents bought these soap products, maintained their own sales organization and took care of the advertising, but orders secured were turned over to the factory located in Boston, and shipments were made direct to buyers.

In July, 1919, the general manager of the Daly Company was appraised of the vote of the board of directors that the contract with the manufacturers' agents, which expired by limitation on October 1, 1919, was not to be renewed; further, that the Daly Company was to establish its own selling organization, to begin operations October 1, 1919. The company sells through jobbers, but the sales force must be large enough to call on retailers once a month, as well

as call upon jobbers.

(a) The general manager is asked to make recommendations for position of sales manager. There is no logical candidate now in the organization.

Question

How should the general manager go about finding a sales manager?

(b) The sales manager was asked, before entering upon the task of creating a new sales organization, to submit a plan of the work required. The newly appointed sales manager found that no information, except a list of customers and credit ratings, could be secured from the selling agents. These lists revealed the fact that the soap is sold over the entire United States and that distribution of one of the products is practically 70 per cent.

Question

What steps should the sales manager have taken in order to create this organization?

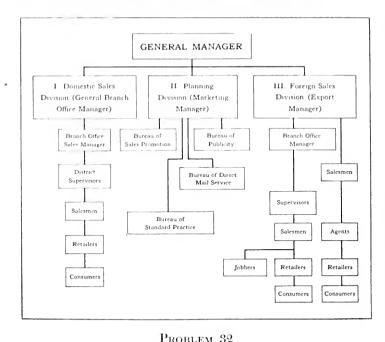
PROBLEM 31

Duties and Authority of Sales Managers, Branch Managers and Salesmen

The chart on page 72 is a chart of the organization of a large manufacturer of clocks and watches.

Question

Prepare a section of the organization manual covering the duties of the marketing manager and relation to the rest of the sales organization, the duties of the branch office sales manager, and the duties of salesmen.



Problem 32 Organization for Supervision of Salesmen

The sales manager of the Chapman Company, manufacturing an advertised, trade-marked clothing specialty which it distributes to retailers throughout the territory east of the Mississippi and north of the Ohio (including New England), has discovered a weakness in its sales organization in that the number of accounts actually sold has grown smaller during the past year. The decline in sales is attributed more to the business depression than to loss of customers, but the sales manager considers the decline in number of customers a danger signal.

The sales manager finds that there is no organized means of getting new accounts or of reselling accounts which have stopped buying. So long as sales volume increases, salesmen are satisfied with their incomes and evade the somewhat unpleasant duty of settling differences or of reselling those customers who have ceased active buying. Furthermore, the selling of new

accounts is much more difficult than the taking of repeat orders. During the war, when the problem was one of keeping orders down within production limits rather than selling, it was not expected that prospects for new accounts would be actively worked. The sales organization has failed to discover that the different conditions of 1921 demand active work among prospects to increase the number of accounts. At the present time, salesmen report directly to the central sales office in Newark, New Jersey.

The assistant sales manager proposes that a change be made on the basis of compensation, so as to recognize the opening up of new accounts. The sales manager is in favor of appointing four supervisors of salesmen: one for eastern territory outside the home office territory, one for the Middle West, a third with headquarters in St. Louis, and a fourth with headquarters in Atlanta. It will be possible in these locations for the sales supervisor to work with salesmen, the number in each group varying from eight to twelve.

Question

Assuming that competent supervisors can be secured, what advantages are there in this plan over change in basis of payment to recognize new accounts?

PROBLEM 33

Qualifications of Salesmen*

Several years ago the Sales Managers' Bureau of the St. Louis Chamber of Commerce made up a questionnaire asking the 12 essential qualifications of a salesman. These questionnaires were distributed

^{*}There are numerous articles in *Printers' Ink, Sales Management* and *Sales Manager*, in addition to material found in books on salesmanship. See, for example, *Sales Manager*, January, February, March, 1921; *Sales Management*, July, October, 1920.

among the 460 sales managers who were members of the association at that time. The result of this questionnaire was the compilation of a "Compendium of the Twelve Essential Qualifications of a Salesman." This compendium was the standard adopted by the St. Louis sales directors as to the component attributes of a salesman

GOOD CHARACTER: Reputation, Habits, Integrity, Self-

control, Reliability, Truthfulness, Honesty, Fairness, Loyalty, Sin-

cerity, Sobriety, Decency,

Individuality, Address, Appearance, Person vlity:

Cleanliness, Manners, Voice.

Vitality, Correct Habits of Life. HEALTH

Education, Openmindedness, Com-MENTALITY: mon Sense, Understanding, Native

Intelligence, Native Ability.

Concentration: Application, Tenacity, Patience, Per-

severance, Student, Self-Analysis.

INDUSTRY: Energy, Capacity for Work, Enthu-

siasm, Optimism, Ambition.

Self-Confidence: Courage, Preparedness, Conviction

of Competency.

PUNCTUALITY: Promptness in All Dealings with

Customer and House. Readiness of Decision and Action. Brevity, Di-

rectness.

TACT: Intuition, Sympathetic Comprehen-

Power of Origination. Visualization. INITIATIVE:

Resourcefulness: Alertness, Observation, Imagination.

Knowledge of To Include Knowledge of Business Goods: Methods and Policy of House, as

well as of Competitors.

Question

Using this list as a basis, prepare a rating scale which might be used as an aid to a sales executive in selecting salesmen.

PROBLEM 34

SPECIALTY SALESHES

- (a) The Eastman Shoe Company for many years has sold an extensively advertised line of women's shoes throughout the United States. Recently, at the request of customers, the company put in a line of girls' shoes. The problem now faces the management whether it should use a different sales force to sell the new line; at the present time it is handled by the regular sales force. There are numerous objections to placing these shoes with regular salesmen:
- (1) The children's shoe business is different in many respects from that of adults.

Styles are different.

It is the tendency of retailers to buy children's shoes more often than women's shoes.

The total available volume of business from children's shoes is much less than the available volume of business from adults'.

- (2) It tends to complicate the already difficult line of this company. The Eastman Company salesman sells one of the most complicated of all lines of women's shoes. While there are many different styles and grades of women's shoes, most manufacturers make only one or two grades of the various styles. The Eastman brand shoes are made in six grades.
- (3) The present sales force is not in a position to give all the study and attention it should to the competition in girls' shoes and to the methods of presentation in selling.
- (4) A good salesman can call with the regular line of women's shoes and place an order with an exclusive agent for an amount which represents all that man will then feel able to give at the time. If a salesman called subsequently with girls' shoes, he would probably have a better opportunity to get a respectable order, because the customer would not be so much burdened by the thought of the large order for women's shoes which he had placed.

The girls' shoes use the same brand names as the women's shoes.

Question

What should be the decision?

(b) A similar problem is presented by another line. Since 1910 the Eastman Shoe Company has manufactured a corrective shoe similar to the Ground Gripper shoe. For a number of years the regular sales force carried this shoe, but without marked success. Finally, one salesman was employed to visit large cities with this one type of shoe. He has been very successful in building up a business, and the company is now planning to give him assistants to cover smaller towns. The shoe calls for an entirely different method of presentation by the salesmen and for specialized knowledge. The regular salesmen, with their already complicated lines, have not been successful in correctly presenting it.

Question

Should specialty salesmen be hired to cover the country?

Problem 35 Junior Salesmen

The Hayward Manufacturing Company, located in Rochester, New York, manufactures a patent cereal which is sold through jobbers. A large sales organization is maintained to solicit orders from retail grocers. The orders received are turned over to jobbers specified. In the early part of 1921, Mr. Richard Humphrey, sales manager, was confronted with the problem of increasing sales. The use of junior salesmen was suggested as one means of accomplishing this.

Mr. Humphrey found that the Peters Company, manufacturers of office devices, had adopted the plan of using junior salesmen as assistants to their regular or senior salesmen and that the plan had worked successfully. This company selected its juniors from the ranks of applicants for salesmen, and a period of experience as junior salesmen under the direction of

the senior men was looked upon as a continuation of the training given before they started as juniors. While expenses of all salesmen were paid by the company, several different plans were used for the payment of juniors. Commonly they were paid a fixed salary out of the commissions earned in the particular territory, by the seniors under whom they worked. So long as his work was sufficiently effective to increase the earnings of a senior beyond the amount paid, the senior would be satisfied. It was customary for this particular company to pay the applicants a salary during the period of the training school (a month or six weeks) and to guarantee to pay the salary of a junior for the first 60 days after getting out into the field. After that, the senior salesman took care of it.

Mr. Humphrey also learned that the J. B. Drew Company of New York City, which was engaged in wholesaling a broad line of dry-goods with a national distribution, also employed junior salesmen. The senior salesmen of this company were on a straight commission basis with a definitely defined territory. Each salesman was permitted to hire an assistant or junior who was responsible to him, though the company exercised a control over junior salesmen by requiring a weekly report. Compensation of juniors rested entirely with the senior salesmen.

Question

Should Mr. Humphrey have adopted the use of junior salesmen?

Problem 36 Job Analysis

To facilitate prompt and efficient placement of specialists and skilled men in army duties where each man's knowledge and ability would be immediately most effective a manual of trade specifications was prepared by military officers and various civilian assistants defining carefully the duties of specialists and skilled tradesmen required by the army in its various technical branches. Each definition included. first, the duties to be performed; second, the qualifications of a well-trained high-grade man who could do this work; and third, the nearest equivalent for substitute occupations to be drawn upon as a source of supply if necessary. The specifications described the ideal man from the army standpoint. It is not expected that all the qualifications named will be found in each man. Following are several examples of specifications.*

Engineer, Commercial, Technical

Duties

 Organizing, simplifying and standardizing commercial, industrial or administrative work.

Qualifications

2. Must be a thorough engineer by training and habit of thought, familiar with commercial problems and able to apply engineering methods to their solution.

Must have had experience analyzing business conditions and in the perfection of methods, systems or organizations to solve difficulties encountered in operation. Able to examine, study and solve industrial enterprises for the purpose of simplification or improvement in processes of administration.

Should be able to lay out, direct and analyze clerical labor and should be thoroughly familiar with the fundamentals of organizations.

Should be fully posted on various commercial mechanical devices.

Substitute Occupations

 Engineering executive, practical efficiency engineer, office executive.

^{*}Taken from Trade Specifications and Index, United States Army.

CIVIL ENGINEER

Duties

 Planning, designing and supervising all classes of general construction operations.

Qualifications

2. Must be a technical graduate with a broad, practical experience in the various branches of civil engineering.

Must be thoroughly familiar with the mathematical and mechanical principles and engineering features of designs, construction or operation in connection with land surveying, structural, bridge or building work of any kind, highway construction, hydraulic developments, municipal engineering in connection with water-works, drainage and sewerage, railroad survey and construction, harbor and canals and dams construction, such as wharfs, piers, excavation and dredging.

Must be thoroughly familiar with the use of all types and classes of construction machinery used in civil engineering developments, such as cranes, hoists, derricks, shovels, hydraulic dredges, pumps, excavators, concrete mixers and distributors.

Must be thoroughly familiar with all materials used in construction work and capable of preparing specifications and contracts for materials or equipments of any kind involved in such classes of work.

Substitute Occupations

3. Hydraulic engineer, municipal engineer, structural engineer, highway engineer, architectural engineer, mechanical engineer, surveyor.

Accountant. Cost

Duties

 Installing and maintaining an efficient and adequate system of cost records in connection with manufacturing of any kind.

Qualifications

 Must be thoroughly experienced and capable of working out the details and accurately recording various operations of manufacturing costs.

Must be capable of preparing printed forms of various kinds to record all items entering into manufacturing cost, such as operation cards or tickets, work and inspection cards showing items of material, scrap, labor, and overhead or burden, and forms showing total accumulated costs.

Must be capable of supervising all clerical help in compiling, computing, transferring and filing in connection with all records, eards or tickets.

Must be capable of estimating production cost and preparing budget reports.

Substitute Occupations

3. Accountant general, engineer, executive office, cost clerk of large plant.

Вооккеерев

Duties

 Keeping commercial, factory or general account books of any sort.

Qualifications

2. Must be a first-class general bookkeeper, experienced in single and double entry, day book, stock book, posting and balancing. Must be familiar with modern book or looseleaf and card bookkeeping, and preferably able to operate Burroughs or other adding or bookkeeping machine system. Must be capable of acting as head bookkeeper in charge of posting and balancing general shop books where modern methods are employed.

Should have had experience as shop or factory bookkeeper with an industrial machine or automobile factory.

Substitute Occupations

3. Accountant, auditor, clerk.

CLERK, GENERAL OFFICE

Duties

1. General elerical work and office detail.

Qualifications

2. Must be an experienced office clerk, capable of handling general correspondence and performing clerical work, tabulating, invoicing, filing, card index work, preparing statements, and should have some knowledge of simple bookkeeping and be able to make out payrolls.

Must be familiar with and possess a good knowledge of shop or factory office methods, the forms used for handling of the stores, requisitions, material sheets, cost sheet, receiving, shipping, inventory and billing, and also be familiar with the particular industrial or engineering terms used.

Ability to operate a typewriter and adding machine, to some extent desirable. Should have had similar experience in office of any industrial plant, insurance office or with contractors, or engineers, or railroad company.

Substitute Occupations

3. Industrial clerk, commercial clerk, railroad clerk, clerk.

CONCRETE FOREMAN

Duties

 General supervision of concrete operations of any character and of any size.

Qualifications

 Must be thoroughly experienced as a general concrete foreman or boss and able to supervise large concrete operations. Should be particularly familiar with the mixing and placing of concrete on various kinds of work.

Must be familiar with mass, cyclopean or detail concrete form work for foundations, piers, abutments, retaining walls and reinforced work, such as walls, columns, beams and floors, culverts, arches, viaducts, gun foundations, tanks, reservoirs and sewers.

Must understand placing, ramming, spading and be a good facer and able to give various finishes to concrete surfaces.

Must understand placing and safe removal of forms and reinforcing of standard types.

Must understand the use of steam or gasoline mixers, hoisting towers, hoisting engines, chutes, distributing systems and be experienced with selection and proportioning of concrete material for different classes of work.

Should be skilled in the use of devices for protection against freezing and know how and when to remove props and forms, and able to proceed continously under unfavorable conditions.

Should have had like experience on railway, building or general construction, or a general foreman on large masonry or brick operation.

Substitute Occupations

3. General concrete contractor, construction foreman, concrete boss.

Questions

1. Would it be practical to apply the same type of analysis to positions in the sales organizations?

PROBLEM 37

Selection of Salesmen by Interview*

The American Tobacco Company employed in 1915 about 1,400 salesmen. These were selected by the district managers, following a personal interview, from prospects recommended by customers or others. Advertising for prospects was not used. In prosecuting his studies of psychological tests and their application to the selection of salesmen Professor Walter Dill Scott had 8 district managers of this company meet in one city to interview independently and successively 29 applicants for the position of salesman, of whom 15 men were to be chosen. Each district manager was asked to use his usual method of interviewing and ranking the men. In the following table of results. the Roman numerals indicate the district managers. No. 1 is a division manager in charge of the other 7 Applicants are designated by district managers. letters A to CC **

	Average	Ι	H	III	IV	V	VI	VII	VIII
A	4	18	9	5	21	2.5	2.5	3	11
В	$\tilde{\mathbf{a}}$	8	3	11.5	3	2.5	14.5	26	5
\mathbf{C}	7	4	3	11.5	6	15	20	15	4
D	11.5	19	15	7	21	9	11	3	17
\mathbf{E}	1	2	3	19	-2	23	1	3	2.5
\mathbf{F}	14	1	9	13.5	24.5	9	2.5	22	24
\mathbf{G}	15	20.5	9	13.5	16.5	12	8	27	2.5
H	10	9	9	24.5	8	6	8	18	15.5
1	3	28	3	6	4.5	12	4.5	3	9
J	$\overline{2}$	7	3	4	4.5	23	12.5	6	6.5

^{*}Taken from Printers' Ink, February 17, 1916.

^{**}The most notable work in applying psychological tests to selection of sales force has been done by the Bureau of Personnel Research of the Carnegic Institute of Technology in connection with insurance salesmen. Recent developments of psychological tests as used in the United States Army are found in Yoakum and Yerkes, Army Mental Tests. Also The Personnel System of the United States Army, Vol. 1., pp. 115-162. Whipple, Manual of Mental and Physical Tests, and Pintner and Patterson, A Scale of Performance Tests, may be consulted.

	Average	Ι	ΙI	III	IV	V	VI	VII	VIII
К	19	15	24	21	13	23	25	11	6.5
L	6	11	9	10	1	12	12.5	19	1
\mathbf{M}	9	26	15	1	8	9	16.5	3	15.5
N	21	13	24	17	26	23	8	10	26.5
O	1.5	14	9	8.5	21	2.5	8	17	22
P	24	16	26.5	24.5	10.5	23	25	20	13
Q	13	3	20	8.5	13	15	20	13	11
-R	18	28	20	24.5	16.5	2.5	16.5	7.5	22
\mathbf{S}	26	24	15	18	28	23	14.5	25	26.5
T	22	20.5	9	20	16.5	23	20	23.5	19
\mathbf{U}	17	23	24	3	21	6	8	$1\overline{6}$	28.5
V	8	6	15	2	8	23	4.5	12	14
\mathbf{W}	16	10	29	15.5	13	6	18	9	11
\mathbf{X}	23	22	20	22	10.5	23	25	7.5	22
Y	27	17	15	28	28	23	22	28	19
Z_{i}	20	12	20	15.5	24.5	23	25	14	3
AA	25	5	20	24.5	21.5	15	29	21	25
BE	28	28	26.5	29	16.5	23	23	29	19
$^{\rm CC}$	29	25	28	27	28	23	25	23.5	28.5

Correlation with Interviewers:

Questions

- 1. What conclusions are to be drawn from the results?
- 2. What action should be taken by the American Tobacco Company to improve methods of selection?

Problem 38

Salesmen's Application Blanks*

The R. R. Vanderveer Company is a large manufacturer of paints and varnishes, with factories located in Bridgeport, Connecticut, and Chicago. Its products are sold direct to retailers, usually hardware dealers, drug stores, and exclusive paint stores. In cities or towns of 10,000 inhabitants or less, exclusive agencies are granted, while in larger cities the number of dealers to whom the company sells is strictly limited in order to render more effective the elaborate plan of cooperation with the dealer which the Vanderveer Company has undertaken. While the company does not sell direct to master painters unless they maintain a retail shop, or to any except very large contractors or wholesale consumers, it carries on a very active campaign to induce these buyers to purchase through local dealers.

Successful distribution has been attained and a large sales force is employed, but prior to 1920 the sales manager had used no standardized form of application blank or method of selection of salesmen. In the early part of that year, L. W. Prentiss, assistant sales manager, in charge of personnel, undertook the problem of working up a satisfactory method of selection. One of the first points of attack was the formulation of a salesman's application blank. He wrote to other manufacturers asking for their forms, with the idea of selecting the most desirable, which he is expected to modify to fit his own needs. Among the forms received Mr. Prentiss finally chose the following two as offering the best possibilities of adaptation.

^{*}Employment methods and problems are discussed in Metcalf and Tead, Personnel Administration, and Shefferman, Employment Methods. See also Bulletins of the Federal Board for Vocational Education, Employment Management Series, 1-9; Annals of the American Academy of Political and Social Science, May, 1916. Problems Arising and Method Used in Interviewing Employees, pp. 208-218. The Application Form, pp. 219-222.

SALES ORGANIZATION

FORM A (Page 1)

	Date
Name in full	
	CityTelephone
	NationalityAge
	ding compensation
Physical Qualifications	General Qualifications
1. Height	Married or single Children
2. Weight	Other dependents
3. Complexion	Do you own real estate Value
4. Nationality	Is it free from incumbrance
5. Any defect in:	Have you any loans or debts past due
Speech	If so, particulars
Hearing.	To what extent do you use intoxicants
Sight	Member of what lodges (give lodge numbers)
Feet	
Other	Are you in good standing
6. Taken recent physi-	What is your military status
cal examination	What insurance do you earry—Life
7. For what purpose	Health Accident
8. Did you pass	Have you ever been bonded What Amt
9. What serious illness	Name relatives in our employ
have you had within	
last five years	Are you personally acquainted with any in
	our employ
10. Are you willing to	Who
take physical exam.	
	(Page 2)
PARTICULARS	OF PRESENT EMPLOYMENT
Are you at present emplo	yed If not, how long since last steady
Name of present or last er	nployer
	City
What is your present or las	st work Salary or commission
What territory do you cove	erHow long have you covered it
What percentage of your	time is spent in working towns of $5{,}000$ or
less cities bet	ween 5,000 and 50,000 Cities over
50,000 What do	you sell Sales for past year
What classes of buyers de	o vou call on
How many accounts are	you workingHow often do you
see them	
How many months out	of the year have you been accustomed to
traveling	
Could you retain present	position indefinitely
	arged or "laid off".
For what reason	

POSITIONS HELD OTHER THAN YOUR PRESENT ONE.

	Nature of Position	Name and Address of Employer	Line of Business	Net Yearly Earnings

(Dame 2)

	(Tage o)		
EDUCATION	AND SELLING	J EXPE	RIENCE
Were you raised in city, t	town or country		
Did you graduate from h	igh school		Where.
Did you attend college	Where	When	How long
At what age did you con	mmence work		How many years'
selling experience			
What study courses have	you completed si	nce leavir	
Have you taken a specia			
	Particulars		
What territory are you u		1	
What other territories ha			
Will you accept any terri	•	cant	
Are you willing to travel	,, ,, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
State preference, if any	Sec	ond choic	
What lines, other than yo			
Any experience in our lin			
What classes of manufact			
What classes of jobbers 1			
What classes of retailers	•		
With what class of trade		uninted	
What classes of consumer			
What Chases of Consume	is have you solu	uneve	** ************************************
CHARACTER REFEI	RENCES-OTH	ER THA	N EMPLOYERS
Name	Business		Address
	17(1)		
			-
	•		
	(Page 4)		
In the space below app		lottor	briefly potting forth
the reasons why he desire			

he would make a successful representative, and why he wishes to change his present position:

It is understood and agreed that any agreement entered into between this Company and the applicant is predicated upon the truthfulness of the statements herein contained.

Signature	of	Applicant

APPLICANT IS NOT TO USE SPACE BELOW THIS LINE Bonding application filed Report

FORM B

		Date	192
Application for employment in To be filled in by applicant in ow			Department
To be filled in by applicant in ow	vn handwritii	ng, preferal	bly in ink.
Name	Addres	38	
Date of birth Place of Height Weight Cold	of birth	. Natio	onality
Height Weight Cole	or of hair	Color o	f eyes
To what extent do you use tobaco	20		
To what extent do you use liquor.			
To what unions, fraternal orders or	r societies do	vou belong	
What church do you attend	Are	von marri	ed
Do you live with wife Do yo	u pay wife a r	regular sala	ry from earn-
ings In what pla	ces have you	ı lived	J LI OIL OUI II
How many dependent upon you f	or support		***************************************
What school and college training	have you ha	d	
What are you doing to improve t			
In school, what studies did you like	o bost	Whatl	lanet
What do you read In reading the daily papers, what	do you road f	Snat	
How would you rate yourself of			
excellent, good or fair?	m answers	to followin	ig questions.
Careful	Cool Man		
Countries			
Duratual	Ondenta		
Courteous	Orderly		
Accurate	Cheerful		
maustrious			
Can you take a joke on yourself		•	
Do you make acquaintances easily		•	
Do you have many intimate friend Where have you worked last ten y	is.		
Where have you worked last ten y	ears .	×	
If more than ten years with last pla	ice, where en	iployed pre	vious to that
Place	Fron	n. st	.'ntil
Why did you leave			
Present employer			
What position do you hold now			
What are your duties in your presented by long have you held your presented the control of the c	ent position		
How long have you held your pres	ent position		
What pay Why How much time have you lost in the	z do you wist	i to leave	
How much time have you lost in th	he last five ye	ears from v	vork account
of sickness			
of sickness What was the nature of your illnes What kind of work do you like bes What pay do you expect to receive	8		
What kind of work do you like bes	t .	What kin	d least
True pay no you impere to item.			
What, besides pay, is important to	you in a job		
Do you think you can handle men			
If so, on what do you base your op	inion		
According to observation, by wha			nent usually
won			
Through what means do you hope t			
What experience or training have y	ou that in yo	our opinion	would tend
o fit you for the position sought (ar			

Questions

- 1. Which of these application blanks was best fitted to serve as a basis for modeling a form for the Vanderveer Company?
 - 2. What changes would you suggest?

Problem 39

Selection of Salesmen—Rating Scale

The rating scale is a means for judging and evaluating more accurately than is ordinarily possible the essential personal qualities necessary for a given position or type of work. Preparing a rating scale and devising special psychological tests for a given type of work necessitates, first of all, the making of a job analysis or job description. Without such description, it is, of course, impossible to make more than general tests of intelligence or to connect the rating scale with the particular job in other than a loose fashion. While a job analysis may be prepared by personal contact and study, a more reliable method consists in having several persons prepare job analyses from which a composite may be made.

The following is a rating scale for judging certain types of salesmen. It has been used particularly in selection of salesmen for a grocery specialty.*

*The scale has been prepared by Professor Daniel M. Starch of the Graduate School of Business Administration of Harvard University.

QUALITIES	
1. Appearance and Man- ner. Consider how he impresses the trade in his field by appearance and manner.	Strong Favor- Indif- Offen- Person- able ferent sive ality Weak
2. Sales Ingenuity. Consider his success in sizing up a sales situation and in presenting the company's policy with tact, clearness and force.	Very Success- Capable Medio- Unsuc- ful cre cessful
3. Industry. Consider his energy and application to the duties of his work day in and day out.	Very Indus- Indif- Lazy Ener- trious ferent getie
4. Reliability. Consider whether he is accurate in statements, dependable in money matters, faithful in social relations.	Abso- Consci- Care- Unre- lutely entious less liable Depend- able
5. Ability in Developing Men. Consider his success in developing talent and improving the grade of the salesmen through arousing ambition, creating and maintaining interest and imparting information.	Develops Develops Neglects Discour- Salesmen Salesmen Develop- ages and of High of More ment of Misin- Caliber. than Or- of Sales- forms dinary men Salesmen Ability

Read carefully the definition of the first quality. At the right are the degrees in which a person may possess this quality. Make a check at the point which, in your opinion, best describes the person you are sizing up.

Questions

- 1. Prepare a rating scale similar to the above, which will aid in the selection of traveling salesmen for a concern manufacturing electric cranes and hoists used in industry and shipping. It is customary to make the sale direct to consumer, each sale being the result of a series of negotiations between the salesman and the engineering department of the purchasing concern.
- 2. What changes in the rating scale would be necessary to adapt it to the selection of field supervisors from salesmen of a wholesale grocery concern?

PROBLEM 40

RATING SCALES

A prominent motor distributor uses the following rating plan, adapted from army rating schedules, for the analysis of his shop force:

RATING SCALE FOR FOREMEN*

I. TRADE ARILITY

Consider kind and amount of trade (or dept.) experience; knowledge of, and resourcefulness in using machines, tools, materials, and trade methods.	High	15 12 9 6
methods.	Low Lowest	$\frac{6}{3}$

H. Ability to Plan and Supervise.

Consider ability to maintain standard quality	Highest	25
work; to place help where they can do the best	High	20
work; to plan ahead so as to have materials,		15
men and tools ready to get out orders on sched-	Low	10
ule time with minimum production costs and to	Lowest	5
keep a steady force.		

III. ABILITY TO HANDLE MEN.

Highest	15
High	12
	9
Low	6
Lowest	3
	Middle Low

IV. ABILITY TO TEACH.

Consider his ability to explain his work clear-Highest 15 ly and thoroughly to a beginner, to gain the High 12 Middle beginner's confidence and make him interested 9 in the work; his success in developing all-round Low 6 men, bettering men of lower grades, and in-Lowest 3 ereasing generally the knowledge of the help under him and their skill.

V. General Value to the Company.

Consider his years of service, loyalty, ability	Highest	30
to understand and carry out the company's		
policies; orderliness of his department; readi-		

^{*}This scale, taken from *Printers' Ink*, is based upon work of the Bureau of Personnel Research of the Carnegie Institute of Technology. The use of rating scales in the army as a means of selecting commissioned officers is outlined in *The Personnel System of the United States Army*, Vol. I, pp. 565-580, Vol. II, pp. 252-275.

ness and ability to cooperate with other departments and the management in giving new ideas Lowest 6 and methods a fair trial.

The sum total of the high ratings is 100. "General Value" comes first with a rating of 30; "Ability to Plan and Supervise" next with a maximum valuation of 25; "Trade Ability," "Ability to Handle Men," "Ability to Teach," are considered each worth 15 points.

Questions

- 1. Does this plan offer the general sales manager of a concern manufacturing typewriters any aid in the selection of district and local managers from the force of salesmen?
- 2. What changes would you advise to make the rating plan more suitable for this purpose?

Problem 41

SELECTION OF SALESMEN

Mr. Arthur Kneeland, on January 10, 1920, accepted the position of general sales manager with the Kennieut Manufacturing Company. This company produces typewriters, which are distributed through a national selling organization. The main sales office is located in New York, and the company has forty branches situated in the larger cities of the United States. The selling policies and the control of salesmen are centralized in the New York office.

At the time Mr. Kneeland entered the employ of the Kennicut Manufacturing Company, there was no standard method of selecting salesmen or of rating applicants for the sales force. In order to find out how other concerns were handling this, Mr. Kneeland, on February 1, wrote a personal letter to Mr. Frank Somersby, who for the preceding five years had been the sales manager of a company manufacturing calculating machines. In his letter Mr. Kneeland asked for information regarding the selection of new salesmen and what records Mr. Somersby had found it advisable to keep.

The following is quoted from Mr. Somersby's reply:

Although the central sales office reserves the right to pass on all selections of men, we hold the district managers responsible for the actual selection in their respective districts. The management prefers to train its salesmen from the start, and in order to obtain men without previous sales experience we advertise. Our method is to insert in the city newspapers a blind advertisement in which emphasis is placed on previous education. While the policy of the company is reflected in the fact that 40% of its sales force are college men, we require only a high school education. In order to weed out the impossible, the advertisement states that the applicant must reply by letter. We usually find that out of approximately every fifty who reply to our district managers that only from six to twelve are accepted for an interview.

Each applicant is looked upon as a possible source of investment of so much of the company's working capital, as we always look upon changes of personnel as costly to the company. Naturally, we want an investment to be permanent and to continue to earn and return a profit. If the profit is of healthy proportions, our task of establishing a profit-sharing contract between the company and salesmen is simplified. The ideal, of course, is to have both parties to the contract moving forward and satisfied to work together.

Each applicant is mentally charted by the interviewer as to his character. Under the heading, character, we include enthusiasm, honesty, dependability, loyalty, veracity, habits, and determination. His address is carefully noted for such points as grammar, forcefulness and enunciation. For his intelligence, we attempt to judge his mental alertness, observation and ability. We have a classification which we call wearing qualities, which include his sympathy, ability to listen, tact, cheerfulness, optimism, courtesy, freedom from conceit. We of course judge his physical qualities and endeavor to size up his physique, energy, endurance, and general health. As a possible

executive, the qualities of business knowledge, power to concentrate, memory, ambition, courage, breadth of view

and decision are carefully watched out for.

After the interview the impressions gathered by the interviewer are recorded on a permanent card. Each applicant has an individual card on which the interviewer grades each item on which he has formed an opinion. Our rating scale is as follows:

Excellent	5
Good	4
Fair	3
Poor	
Unsatisfactory, or quality apparently lacking	1

In a majority of cases, if the average grade is fair, we give the applicant a card to fill out, either at the office or to take away with him to answer at his leisure. This eard is called the 'application for position' card, and the questions asked aside from those of name, date, and place of birth, are listed under the headings of previous employment, character, references other than relatives or employers, education and experience, characteristics, business arithmetic. place great emphasis on the applicant's correct answers to the questions that we ask under the heading of 'business arithmetic'. In fact, in a majority of cases, if the applicant at the original interview shows a natural aversion for mathematics he is seldom given encouragement. Our reason for this is that we do not think in our business that it is essential for the ordinary man to have had previous sales experience either in the specialty field or general sales experience of any kind to make good, but we do consider it essential that a prospective salesman have a liking for arithmetic in order to succeed

Questions

- 1. Should Mr. Kneeland have adopted this plan?
- 2. If so, were any changes necessary?

Problem 42

SELECTION OF SALESMEN

The Thompson Company, manufacturing fanning systems, ventilating systems and allied products, meets keen competition in the motor and fan lines, but in exhaust fans and ventilating systems the company has the leadership.

The company does not sell to retailers, but to consumers, such as builders and engineers, and to jobbers. The majority of business is done direct with the consumer. The salesmen are all engineers, sometimes selected from other lines of industry and trained at the plant or secured from within the plant in the engineering department.

The company wishes to build up its motor and fan

business.

Questions

- 1. Should specialty salesmen be hired for these particular lines?
- 2. If so, should they be engineers, like the salesmen for other lines?
 - 3. What consideration should govern selection?

PROBLEM 43

SELECTION OF SALESMEN

A certain sales manager, in interviewing applicants for positions as traveling salesmen for a paint manufacturing concern, made it a practice to interview men personally at 30-minute intervals. First of all, each man was given an opportunity to talk about himself; he was encouraged to give his life history, with the idea that as soon as this was off his mind he would begin

to appear less tense and more natural. The sales manager then told the applicant something of the company's proposition, after which he asked the following questions:

- (1) Why do you think you can sell our line of paint?
- (2) What is your theory of advertising?
- (3) What kind of advertising, in your opinion, is the best for the merchant?
- (4) What have you done personally to help move merchandise from the retailer's shelves?
- (5) Why should I give you preference over the 200 other salesmen who are applying for this position?
- (6) How much do you think you should earn in this job?

Questions

- 1. What is your opinion of the value of these questions in selecting salesmen?
- 2. How would these apply in the selection of salesmen for other lines sold to retailers?

Problem 44

ESTABLISHMENT OF BRANCH SALES OFFICE

(a) A shoe concern, located at Brockton, Massachusetts, selling high-grade shoes direct to retailers and selected customers and through its own stores in eastern cities, finds that its per capita distribution grows less as the distance from the home office increases. The per capita distribution in Illinois is very much smaller than in Pennsylvania. The proposal has been made to establish a branch office in Chicago. The president of the concern wishes information as to the cost of a

branch office, whether conservation of the carry stock, what equipment is a classification of would be required.

Question.

- 1. What decision should be ma
- 2. How should information be so the probability of the base this decision?

(b) The Albert Company of Cleveland manufactures medium-grade men's clothing, which sells at moderate prices throughout the Middle West. While the company has been oversold nearly every season for the past twenty years, it feels that its position is being threatened at present by the competition of Chicago manufacturers.

Salesmen ordinarily visit customers twice each year in the spring with samples of fall wear, in the late summer and early fall with samples of spring styles. Generally the men are out on the road from eight to ten weeks on each trip. The result is that for practically half their time they must be utilized in the factory or given vacations. Since payment is upon a commission basis, it is difficult to require their assistance in the home office. In order to get in closer touch with eustomers and to establish an office to which customers might go for the inspection of samples at other times than on the semi-annual trips, it is proposed that a sales office be established in Chicago in charge of the man who ordinarily travels that territory and an assistant. It is expected that either he or his assistant will visit customers through the territory at other times than on the regular selling trips, and that increased sales will compensate him for extra effort.

Question

Should the company establish a Chicago office?

PROBLEM 45

ESTABLISHMENT OF BRANCH OFFICE

The Melvin Lawrence Company manufactures textile machinery of all types necessary to outfit a complete textile mill. The company was founded about 1850, and has grown until it is one of the leaders in the industry. The central executive and sales offices are located in Boston. A southern branch office is established in Charlotte, North Carolina, with a small suboffice at Greenfield under the direction of the Charlotte office. Greenfield is a large mill center and many of the customers of the company are located there.

Question

In view of the fact that textile mills are being established in the West and Southwest, should the company establish a western sales office?

PROBLEM 46

ESTABLISHMENT OF BRANCH WAREHOUSE

(a) The Leighton Rubber Company, manufacturing tires and rubber footwear, has a branch for its tire business located in Birmingham, Alabama. This constitutes a distributing point for southern territory. The branch does a business of approximately \$75,000 a month with a gross profit of 17%, from which is to be deducted the discount expense of 6%, sales expense of 51/2%, and branch expenses (including all other expenses) of 51/2 per cent.

The manager of the branch has asked that the company establish a warehouse or sub-stock-station in North Carolina. The business in North Carolina runs up to \$5,000 per month, but is curtailed because the North Carolina trade desires better service than the

Birmingham office can give. The management estimates that, if a sub-station is established to give shipping service only, the North Carolina business can be increased to \$15,000 a month.

Questions

- 1. Should the sub-station be established?
- 2. If so, in what city should it be located?
- 3. What additional expense would be necessary in setting up such a sub-station, provided the station only shows and ships stock, while the bookkeeping is done at the branch?
- 4. What effect would it have on the figures of the Birmingham office?

(b) This company finds it necessary to establish a sales office and warehouse for footwear and tires in New York City. The jobbing district for footwear is located many miles away from the tire wholesale center, which is around 57th Street. The problem is confronting the company as to whether a combined warehouse for tires and footwear should be established, whether the location chosen should be that of the tire center, the footwear center, or elsewhere. The alternative is the establishment of two sales offices and warehouses, each in its appropriate center, with the additional cost thus involved.

Question

What should be done?

PROBLEM 47

Branch Organization

In September, 1920, the Ajax National Bank had two accounts on its books, of rubber companies that were being reorganized. John Fleming, one of the vicepresidents, was on both reorganization committees and upon investigating the branch organizations of these two companies found two distinct methods existed. One of the companies, the Johnsville Manufacturing Company, produced rubber tires and footwear, and conducted its branches as independent organizations. The manager of each branch house hired his own salesmen, laid out their territories, made arrangements for remuneration and expenses, and was entirely responsible for their conduct and efficiency. Credits were handled by a branch manager attached to each branch. Accounting, bookkeeping, stock-taking, and distribution were all handled independently, the only limitation having been that in the broader policies there should be no conflict with the central organization. None of the records kept by the managers of branches were brought into the main office, with the exception of the amount of total sales and certain general information.

The other company, the Mills Manufacturing Company, producing the same products, gave its branch managers entire charge of personnel; they were made responsible for sales campaigns developed by the company, had entire charge of records and accounts, credits and collections, stocks and merchandise, but kept records in exact accordance with systems furnished by the central office. The required reports gave the main office practically all the important information collected by the branch managers. In each branch the salesmen reported to the manager; likewise, the chief clerks who were in charge of the persons performing the accounting, billing, credits and collections, receiving and shipping orders, stock records, and adjustment functions. Depending upon the size of the branch, these functions were combined or assigned to separate individuals. There was no absolute uniformity between branches; in some cases, the credit manager reported directly to the branch manager and in other cases through the chief clerk. Separate branch organizations were maintained for tire and for footwear, the general plan of organization being the same.

Questions

- 1. Should Mr. Fleming suggest that the branch organizations of both companies follow similar standard practices? Should the branch managers be responsible for more than the handling of the sales force?
- 2. If so, to what extent should the functions of handling credits and sales promotion be delegated?

PROBLEM 48

FIELD ORGANIZATION

The following is an extract from the sales manual of a large company manufacturing electrical equipment:

FIELD ORGANIZATION

GENERAL

- (a) There are three kinds of offices in the Sales Department's field organization, as follows:
 - (1) District office in charge of a District Manager. The District Office controls all Branch and Sub-Offices in its territory.
 - (2) Branch Office. This is an office from which several men travel and, as a rule, there is a Branch Manager in charge.
 - (3) Sub-Office. This is the headquarters for one or two men who travel from that particular center. No titles are given to representatives attached to sub-offices and there is no Branch Manager in charge.

(b) The following titles are given where applicable:

District Manager.

Acting District Manager.

Assistant District Manager.

Assistant to District Manager

Branch Manager.

Manager Supply Division.

Manager Railway Division.

Manager Power Division.

Manager Service Division.

Manager Automotive Equipment Division.

(c) Offices, personnel and territorial divisions are given complete in another section.

In order to make proper comparisons and studies in reference to the conduct of our business throughout the United States, it is deemed advisable to group the offices as follows:

Group A	Group B	Group C
Denver	Boston	Atlanta
Los Angeles	Chicago	Buffalo
San Francisco	New York	Cincinnati
Seattle	Philadelphia	Detroit:
	Pittsburgh	St. Louis
	*Washington	

Duties of District Manager

(a) To be responsible for the character of our relations with the larger interests in his district and, in general, responsible for the character of the service rendered by the Company in his district insofar as it is in his control; and where bad service is rendered due to the shortcomings of some other department, to make proper representation in such cases to the interested department managers and proper corrections in service be made. Settlement of all disputes with customers should be in district manager's hands, including approval of service department charges. He should know all of the important railway and central station men and the heads of the most important industrial establishments in his territory, and all of the jobbers and important resale men. He should also have first-hand knowledge of the larger cities and towns in his territory. This knowledge of men and places is necessary in order that he may be able to help salesmen in important negotiations and also that he may be able to judge salesmen and their work by knowing thoroughly the field in which they are working.

^{*}Headquarters Office, U. S. Government Business.

- (b) To supervise the work of division managers, including the manager of the service division, and of all assistants, branch managers and others to whom special duties may be delegated, and to be responsible for the character of their work.
- (c) To be responsible for the character of the work done by the clerical and other non-selling divisions of the district, branch and sub-offices.
- (d) To be responsible for the condition of the district warehouse and the condition of its contents and, through division managers, for the suitability of such district stock in items and quantities within the aggregate value set by the Company, to take care of the trade in the district.
- (e) To assist and supervise the work of the division manager in prescribing lists of customers for each salesman.
- (f) To be responsible for the expenses of his office and of the force of employees under his direction.
- (g) To be responsible for the personnel of his sales force and for the employment of the proper number of competent salesmen to sell all lines of product, give good service to all customers and properly develop the full possibilities of his district.
- (h) To keep generally informed so as to have a good general knowledge of the Company's product.
- (i) To study reports of salesmen and division managers so as to know the total demand of his district for the Company's products.
- (j) To supervise the work of division managers in the work of developing demand.
- (k) To supervise the work of division managers in the finding of new customers and prospects.
 - (l) To keep posted on the activities of competitors.
- (m) To supervise the work of division managers and salesmen in connection with lost and abandoned business reports.
- (n) To require and maintain discipline and compliance with sales manual; to be responsible for the conduct of the men under him, in order to see that they are creditable representatives of the Company.
- (o) To be responsible for the maintenance of prices by division managers and salesmen and to be responsible for profit only when the making of prices is in special cases delegated to him by headquarters departments at Chicago.

- (p) To be responsible for the utmost coordination between divisions in his office to insure the maximum selling results and to see that every resource of his office is used regardless of division lines. To coordinate the work of his office with that of other district offices and with that of headquarters departments to the end that the maximum degree of complementary effort is secured.
- (q) To supervise the work of division managers and salesmen in connection with reports on the financial condition of customers
- (r) To supervise the work of division managers and salesmen in connection with reporting demands of the trade for new products.
- (s) To supervise the work of his force in connection with the study of customer's requirements and the suggestion of improvements in our products.
- (t) To obtain the maximum local benefit from the Company's advertising of all kinds.

Questions

Prepare a similar statement of duties of:

- (a) Division managers who are responsible for sales activities in a single line.
 - (b) Salesmen.

PROBLEM 49

Branch Organization

The establishment of branch sales offices is a problem which confronts many of the larger companies. Branch organizations are very frequently unsuccessful; that is, the selling cost through branch organization is extremely high, particularly in cases where the volume of sales in a particular district has not increased as anticipated when the branch was established. Where branches are used to supplement sales effort, to provide headquarters for decentralized direction of salesmen. and possibly direction of stock to be held for prompt shipment, there may be ample justification for their establishment. Only too frequently, dissatisfaction with sales in a particular district leads the sales manager to the conclusion that a branch sales office is necessary. It is rarely possible to determine whether the increased selling cost will be spread over a correspondingly increased volume of sales. In export selling the practice is more conservative with regard to the establishment of sales branches. The cost is a matter which cannot be overlooked, and it is customary to weigh the possibilities much more carefully; in fact, not to establish a branch office until compelled by volume of sales and necessity of decentralization. The same rule, which is a safe one, may be followed in establishing domestic branch offices.

In the establishment of branch offices, problems of organization immediately arise. One of the usual functions of the branch manager is the direction of the salesmen in the territory served by the branch. A prominent manufacturer of motor trucks, with 19 branch offices, delegates to the branch manager the entire responsibility of hiring, firing, and training of salesmen.

Another company, manufacturing tires and other rubber goods, formerly permitted branch managers to employ their salesmen. They declared that this resulted in lack of uniformity in the organization; and, as a consequence, adopted a standard method of employment allowing branch managers to participate in the employment of salesmen, although it is conducted under the direction of the employment division of the Sales Personnel Department. In other words, the employment division has to approve the application before the branch manager can hire the man. The education division has charge of the sales school, undertaking to teach each man and pass upon him during his period of training.

A collar manufacturer's sales organization is headed by a director of sales. Under him are eight sales managers in charge of the United States sales districts— New York, Philadelphia, Chicago, Boston, Cleveland, Toronto, San Francisco, and Los Angeles. These men are located at the branch offices. Under the district sales manager are the salesmen in each territory. No salesmen are hired at the main office. Each district sales manager hires and trains his own men.

Other companies adopt the plan of making their branches practically independent, subject to the main organization only in matters of general policy. This is true of certain automobile companies and it is based upon the theory that, if the branch manager is practically in the position of manager of his business, he will exercise more initiative and energy in getting business.

The Rogers Company, of New York, is one of the large manufacturers and distributors of heat and radiation systems. Because of its adoption of progressive sales methods and its extensive advertising during the last 25 years, the company has experienced a rapid growth until there were, in 1919, over 40 branch offices and sub-offices in the organization. At that time the branch managers were subordinate to territorial sales managers located in the central office. The country was divided into three divisions, with a territorial manager over each. These territorial managers had control and direction in their respective districts of branch managers, who, in turn made periodic reports to them. The territorial sales manager consequently reported to the general sales manager of the company.

At the time, all accounting, billing, credit, and collection work was centralized in the New York office; the branches were simply selling and warehousing offices. The branch manager had the power of hiring and firing salesmen, and exercising control over them, but had to make detailed and elaborate reports on their work to the territorial sales manager, who was over him.

The district sales manager and branch manager of this company were, in almost all cases, superior salesmen who had been promoted to these positions. At the time stated the general sales manager, after much thought, was convinced that his branch manager and territorial manager had become desk men to too large a degree; their sales ability was not being utilized through personal contact with their selling forces. Practically their whole time was taken up in handling the many order forms and report sheets required in the centralized control.

The question of organization was brought up at a meeting of the board of directors. It was suggested that the offices of the three territorial sales managers be discontinued, that the accounting, billing, credit and collection work be transferred to the branch offices, and that the branch managers be given a freer rein in their territories. The general sales manager was requested to draw up a statement to be included in the organization manual of the company setting forth the functions and duties of the branch managers under the new arrangement. Further, it was requested that he state the relationship of the branch manager to the various functional officials in the central organization such as the New Product Manager, the Merchandise Manager, Credit Manager, and Statistician.

Questions

1. What, in general, would be the duties of the branch manager under such a system?

2. What would be his relationship to the functional managers?

PROBLEM 50

Relation Between Advertising and Selling Departments*

- (a) "It may be that the sales manager is gradually absorbing the functions of the advertising manager and leaving the latter as a sort of bureau head charged with carrying on one little branch of the sales effort. may be that the sales manager is going to be rebuilt into an advertising manager, as mass salesmanship gets more and more important and eliminates—if it ever will eliminate—a large percentage of personal selling. It may be that a new job will have to be created for a higher-powered executive who will be superimposed over the other two. Wherever advertising effort has been well conceived, it has served powerfully to reduce the personal effort exerted by each salesman in making each sale. The advertising manager who has lived up to the bigness of his job has often been able to see things a little more broadly than the sales manager; he handles masses of individuals and communities of opinion. The sales manager, by studied emphasis on the function of advertising as a 'sales help', can build up an impressive thesis in support of his priority. Some executives see only the necessity of closer and more effective alliance between the two departments. Some foresee a merger in which both shall sink their identity into one or the other or into something bigger. Some think that the process of evolution in each case will depend upon the personality of the advertising manager or sales manager. Some think that one thing will happen in the large concern, another in the small."
- (b) "Instead of these two positions merging into one, I would think there would be a greater concentration into each one as separate units. In other words, the advertising manager is becoming a specialist in his own line and the sales manager is becoming more efficient in his. There must be a very close working arrangement and a mutual knowledge on the part of the sales

^{*}Advertising and Selling, Nov. 13, Nov. 20, Nov. 27, 1920.

manager and advertising manager. Each has too big a job to be handled by the same man, unless through a very broad experience it is possible for one man to direct them both, but the operations must have a distinction. The sales manager is selling merchandise to the dealer and the advertising manager is selling a belief to the minds of the public."

- (c) "I look to see a new title which is rapidly coming to the fore, that of merchandising or sales-promotion manager, which will finally take care of the two separate and distinct lines which now are taken care of by salesmen and advertising. I think, however, that there will always be an advertising manager. He may degenerate to become simply the head of a sub-department in a sales department, just as now the usual advertising departments are considerably subdivided."
- (d) "In one particular line of business within the past year the sales managers of four nationally known concerns have been promoted either to be vice-presidents or directors, or both, in their respective companies, whereas the advertising managers in those companies still retain that title and apparently their same circle of influence in their respective organizations."
- (e) "Depends upon size and character of business. Impossible in a large business for any one man to have the time, experience or ability to handle both positions effectively."
- (f) "Any business is an 'eternal triangle'; speaking broadly, there are but three departments: production, selling, and finance. There should be a broad-gaged officer of the company over each of these departments. There should be a Sales Manager; under him, the Director of Salesmen and the Advertising Director; the Director of Salesmen may have several vice-directors, such as Field Managers, to train and work with the salesmen in the field, District Sales Managers responsible for the sales in given districts, or Division Sales

Managers who are expected to work with the salesmen to increase the sales of certain lines if the house sells a number of products. Or there may be Vice-Salesmanagers responsible for sales to certain industries. The Advertising Director may have several vice-advertising-directors such as National Publicity Manager, Direct Mail Manager, Dealer Helps or Localized Advertising Manager, etc. In 95% of all large businesses, there are and always will be both personal selling and mass selling and the work accomplished by both of these methods is in reality one branch or department of the business. I believe that in every really successful concern there must be a chief selling executive over the sales manager and the advertising manager."

(g) "With the growth of any concern, a natural division inevitably occurs between the advertising and sales departments."

Questions

- 1. What are the arguments for and against the coordinate position for sales and advertising departments?
- 2. How is the divergence of views above to be explained?

PROBLEM 51

Organization of Advertising Department

In the organization of concerns, wide variation is to be found both in the place of advertising in the general organization and in the internal organization of the department itself. In some organizations, the advertising department is coordinate with the sales department. Where these are not brought into harmony by superior authority, there arise questions of organization and method of coordination of the various types of sales effort. It is obvious that the size of the advertising department will depend entirely upon the stress laid upon advertising, the size of the concern, and the extent to which the performance of advertising functions is delegated to outside agencies. A mail-order house, printing its own catalog and distributing them throughout the country, may have hundreds in its advertising department. A concern selling a single product, advertising in national media, and placing its advertising through an advertising agency, may have no advertising department at all. The practice is growing of subordinating the advertising department to the general sales department, making the sales or distribution manager one who directs distribution, not only through direction of personal salesmanship, but also of advertising and printed publicity of all kinds.

In another direction there is likewise some evidence of a tendency to place the advertising department either in close connection with or an integral part of a so-called sales-promotion department, in which the various types of activity, including analysis, research, and planning, which look forward to the increase of sales, are

centralized.

A large automobile concern producing a high-grade car has an advertising organization in which the assistant advertising managers, under the direction of the advertising manager, are specialists in various lines. One of them deals with advertising and writing in technical journals; another with trucks; a third with art; a fourth with photos; a fifth with moving pictures; a sixth with the clerical and recording functions.

A manufacturer of office appliances operates on a committee plan. The board of directors discusses the general outline of advertising annually, analyzing the reports of the previous year's work, and approves any plans involving additional expenditure. In the Promotion Committee, general plans are discussed subject to the sales manager's approval, but all members must work in closest connection with the sales manager.

A large electric company, manufacturing hundreds of different products from electrical installations of the largest size to small motors and lamps, is concerned with the problem of organizing its advertising. The company is a consolidation, in which the constituent plants specialize in different products. There are two possible courses:

- (1) Centralizing the advertising organization entirely at the main office of the consolidation at which the sales work is centralized;
- (2) Building up an advertising organization at each plant, the size of the organization to depend upon the extent to which advertising agencies are to be relied upon for performing various functions; in other words, the various plant organizations are to have their own advertising staffs controlled only in a most general fashion by the central sales office.

Question

Which plan should be adopted?

PROBLEM 52

Organization of Advertising Department

The following letter appeared in an issue of *Printers'* Ink.

It has been stated, and truly so, that the best advertising committee is one composed of a board of five members, with four of them absent. In other words, too many cooks spoil the broth.

At just about this point I can imagine Mr. Sales Manager, Mr. President or Mr. Executive shaking his head and thinking 'another know-it-all, obstinate (maybe sore) advertising manager.' But not so for a minute; the writer has never had the fortune, or misfortune, to run the gauntlet of an advertising committee.

On the other hand, consultations and cooperation with the sales departments are most certainly recommended, and as far as the matter of a thorough understanding with the treasurer is concerned, one can hardly understand how an advertising department could function without such. But the power of an advertising committee should certainly be limited to simply setting the general policy, plans and financial end, and not permitted to work on the details of every sketch, every piece of copy, and the like.

For I contend that any advertising manager who has had his plans laid out, his policy set down, a general style to be followed given him, an appropriation allowed, and cannot get the campaign in motion without going before a committee at every twist and turn, is not deserving of his title. Why have an advertising manager, if every member of the committee thinks he knows as much about advertising as the manager himself? Why not hire a twenty-five-dollar-acterk, who will at any time be set in motion by the pulling of the strings of the advertising committee, instead of engaging high-salaried advertising experts?

If you were to plan an addition to your plant, you would call in consultation the heads of the various departments concerned, ascertaining their requirements and receiving their recommendations. But you would not have your construction engineer sit before this same committee, to have them tell the engineer how the work should be done. Why—because this engineer has studied many years on the subject of engineering, has had much practical experience in his work—you have confidence in him and admit that he knows more about his job than you. Likewise in advertising—the advertising manager has studied many years about sales and advertising, has had much experience, but his executives lack the same confidence in him that they do in the engineer, and will not grant that the advertising manager knows more about his job than they do, but insist on drawing people from every section of the organization to take a shot at every piece of copy and sketch proposed.

If you do not have confidence in your advertising manager—fire him—there really and truly are some good, efficient

ones to take his place.

Give your advertising manager your policy, sales plans and appropriation, consultations with the sales committee, in order to bring about a thorough cooperation with the sales and advertising departments; then let him produce unhindered; if you don't like what he is doing, tell him so, but don't tie him hand and foot.

Question

Is the argument sound?

ORGANIZATION OF ADVERTISING DEPARTMENT

The president of a large advertising agency makes the statement that, in many lines, sales forces are being cut down, also advertising staffs. The advertising manager is being put into sales work or is being dropped. Advertising agencies are taking over the responsibilities of campaigns of advertisers, claiming that they do the work more efficiently and save the cost of an advertising department.*

The Northrup Company is a national advertiser of considerable importance and is noted for its effective advertising programs. From the outset, the company has been liberal in its advertising appropriations and constantly kept their products before the buying public. For certain of their products, national magazines have been used, while trade journals have been used for giving publicity to their filing devices. Agents in the various cities are furnished copy and cuts for local newspaper and street-car advertising, also catalogs and circulars imprinted with their own names. Motionpicture slides, window cut-outs, show-window contests, and the house organ have been used with good results. The company's sales have increased from year to year, but the new manager feels that the advertising department is unnecessary for the reason that advertising appropriations and general advertising policy are passed upon by the sales manager in conference with the president, general manager, and secretary of the company and the technical work and preparation of copy are given over to an advertising agency. There is no saving, so the manager claims, in maintaining a comprehensive department in the company itself to take care of advertising, since advertising agencies secure their compensation mainly from a percentage of the amount spent for space. By arrangements with publishers, advertising agencies secure a percentage varying from 10% to 15%, while the company as a

^{*}Printers' Ink, September 14, 1916.

consumer of advertising space must pay the full card rate or full contract rates. Consequently, if the company pays \$200,000 for space in the course of a year, the advertising agency gets from \$20,000 to \$30,000, for which it will perform most of the functions now duplicated or performed only by the advertising department of the company. The manager states that a good clerk, who could take care of checking up advertising bills, is sufficient for the particular company.

Question

Is the new manager's decision wise?

PROBLEM 54

Relation Between Export and Domestic Sales Departments

A prominent export manager, in discussing the relation of the export manager to the domestic sales manager, in the Export Review, says that a capable export manager cannot specialize on any one line of work, but must be familiar in a general way with every division of the business.

He must know how to develop foreign sales, he must be conversant with foreign advertising problems and understand foreign credits and collections. He should know thoroughly commercial geography, international law and foreign tariffs. He must know the technique of handling export shipments and must be endowed with an unusual amount of patience in reaching an understanding of the psychology of the foreign buyers.

Seldom does a domestic official or executive, whose mind is occupied principally with domestic conditions, know very much about many problems that exist abroad. As an example: the domestic sales manager's problems are to market the merchandise manufactured by his company

in the United States through the customary channels employed by the line he is handling. It may be marketing through jobbers, through exclusive dealers, direct salesmen or by mail. His problems are the same in New York State as they are in Illinois. The customs of the people are alike. the language is the same, and the general sales methods are uniform. The domestic credit man can pursue the same methods in extending credit or making collections in Louisiana as in Maine. He can observe the uniform terms laid down by the house, and when confronted with a particularly difficult collection problem, he may seek the advice of his local attorney or, perhaps, refer the collection to his traveling salesman or branch office on the ground. The domestic traffic manager ships his goods by rail with the exception of coastwise steamers, and after placing the merchandise on the freight ears or delivering it to the express company, his troubles are ended. The advertising manager, in turn, may develop one type of advertising and secure a tremendous circulation in the United States through magazines and newspapers.

Now, let us turn to the export manager. We find that his problems are considerably multiplied. Sales methods differ in various parts of the world. In some countries he may establish branch offices; in other countries he may find it expedient to sell through jobbers who will distribute to the local dealers; again, there are countries or cities where exclusive agencies may be made, and in some outof-the way places he finds it necessary to solicit business by mail. Only the larger institutions are able to employ sufficient traveling representatives to represent properly the line in foreign fields. He finds many varying types of peoples and must handle the Latin in a different manner from the Scandinavian or the Oriental. His advertising problems are complex because of the different types of people he attempts to reach, the many languages that are used in various parts of the world, the many classes of periodicals and the difficulty in selecting those that are of the right character in which to exploit his line. He must find many sources from which to secure information and trade tips. He does not have the same facilities for obtaining credit information that are found in this country and must operate entirely along different lines, not only in passing his credits but in making his collections. His traffic problems are entirely different from domestic, as, after the goods arrive at the seaboard from the factory, he must exercise a great deal of care in properly handling shipments or the possibility of financial loss occurs. While he may have an experienced traffic man to handle the detail,

the export manager should be familiar with commercial geography, steamship lines, methods of transportation in foreign countries, export packing marine insurance, tariffs, consular regulations and many other details.

It is easily seen, therefore, that the export manager is really a general manager of the foreign division of the business, and in his own dominion must be as versatile and well posted as the general manager of the entire business. In order that the export manager secure the best results, he should not be under the control or subject to the rules and regulations of the domestic executives. He should be given full authority to conduct export business independently and should stand or fall upon his own record.

Question

Is this a valid argument for a separate control for domestic and export sales departments?

Problem 55

Cooperation Between Domestic and Foreign Sales Departments

A well-known sales and export manager lists the forms of organization for export which are to be found in accepted American practice.*

- "(1) Management and immediate control of both export and domestic sales, with no titles indicating departmental leadership.
- "(2) Management in immediate control, with staff containing neither sales nor export manager as such, but where titles are used to describe the activities of individuals.
- "(3) Management in immediate control of domestic sales, with an officer of the company acting as a sales

^{*}Walter Wyman, in World's Markets, February 1921, p. 26. See also subsequent articles in March and April issues.

manager, but with a titled export manager responsible for initiative and foreign sales.

- "(4) Management in control of separate domestic and export sales, respectively, headed by a sales manager and an export manager with no common duties.
- "(5) Management in immediate control of export sales, with domestic sales directed by sales manager with no export duties.
- "(6) Management in control of domestic sales directed by sales manager; foreign sales under control of the sales manager.
- "(7) Management in control of domestic sales directed by a sales manager; foreign sales handled by separate sales company.
- "(8) Management in control of domestic sales directed by sales manager; export sales handled by branch house manager or managers located at seaboard cities. Branch house manager or managers under control of management on export activities.
- "(9) Management in control of domestic sales directed by sales manager, who also directs foreign sales handled by branch houses.
- "(10) Management in control of domestic sales directed by sales manager and management in immediate control; export sales handled by combination export manager, manufacturers' representative resident in United States, export commission houses, or combination export travelers.
- "(11) Management in control of domestic sales and export sales directed by sales manager, who controls foreign sales handled by combination export manager and other agencies outside the enterprise.
- "(12) Management in control of domestic and export sales directed by combination sales and export manager, his associates or assistants or both.

- "(13) Management in control of domestic sales directed by sales manager; foreign sales rights sold to outside interests.
- "(14) Management in control of domestic sales directed by sales manager; foreign sales rights sold to outside interests.
- "(15) Management in control of domestic sales directed by sales manager; foreign sales rights sold to outside interests."

Question

Which forms are to be preferred?

Problem 56 Organization of Sales Promotion

Sales Research

The Hammond Manufacturing Company, located in Springfield, Massachusetts, manufactures a line of gauze bandages and absorbent cotton which is sold to hospitals, physicians, and the drug trade. The plant is systematically organized in accordance with the Taylor theories of scientific management. Accordingly, in the production department there is a high degree of specialization according to functions.

During the latter part of 1920, the president of the Hammond Manufacturing Company informed Mr. Henry Johnson, sales manager, that the Taylor Society was to have a meeting in New York in December, at which the question of applying scientific management to selling was to be discussed, and suggested that Mr. Johnson attend the meeting.

Mr. Johnson, on returning to the office, submitted the following memorandum to the president of the company:

In the development of scientific management as applied to production, a cardinal principle has been the separation of the function of planning from that of performance. While the various advocates of so-called "scientific management' have modified more or less the principles as enunciated by Frederick W. Taylor, this general division and the emphasis upon functional organization have been retained. The Taylor Society, an organization devoted to the furtherance of scientific study of management, has undertaken to promote the movement for the application of principles which have been successful in production management to the management of sales. As a first step, committees were appointed and an investigation made of representative sales departments. At a meeting of the Taylor Society, preliminary reports were presented by a committee on the organization and functions of the sales engineering department and a committee on the organization and functions of the sales operating department. These conclusions were briefly as follows*:

- (1) The conditions or causes which have led to the establishment of engineering and operating as separate major functions in the production of products exist also with respect to distribution and indicate the necessity for the recognition of engineering and operation as major functions in the production of sales.
- (2) Master planning and scheduling can properly be considered sales engineering, delegating detailed planning and scheduling as secondary functions of operation. If one concedes that the distributing organization is the one that usually and naturally originates projects involving the whole plant organization, then it becomes obvious that a research and master planning and scheduling function must have a close and sympathetic relation with the distribution organization; hence the choice of the name "Sales Engineering" for this major function.
- (3) The sales-engineering function presents at least three distinct phases:
 - (a) Field research.
 - (b) Technical assistance.
 - (c) Master planning and scheduling.
- (4) It should be recognized that the major functions of sales engineering is to analyze, plan and schedule future projects and that the planning and scheduling of current projects is a function of the operating divisions.

^{*}Bulletin of the Taylor Society, Vol. V, No. 6, December, 1920.

- (5) Selling seems to break down into two major functions, distinct in their nature and in the types of personnel required for their performance:
 - (a) The making of larger plans for the marketing of a product, involving analysis of the market and the product, the preparation of master schedules, and the coordination of production, financial and selling resources; called Sales Engineering, Sales Planning, Merchandising, Merchandise Control, etc., and in many instances cared for by advertising or selling agencies:
 - (b) The actual conduct of the selling operations, involving the detailed planning of selling operations, the selection, training and direction of the sales force, the detailed planning and conduct of selling operations when salesmen are not used, and all contacts with the customer; called in this report "Sales Operating."
- (6) Sales Operating seems to break down into two principal functions:
 - (a) The detail planning for the preparation of materials and for the supervision and control of all elementary selling processes. (This function breaks down into elementary functions or processes.)
 - (b) The actual conduct of sales operations in accordance with the planning and control established in 6 (a). This function also breaks down into elementary functions and processes.)

This report is concerned with 6 (a) only; investigation of 6 (b) is to come later.

- (7) Conclusions (5) and (6) are the result of a study of a variety of selling departments and present functions which seem to be inherent in selling; they are not, however, recognized by every selling organization and their execution provided for by functionalized parts of the organization. In one organization one or more functions, in another organization other functions, are recognized and defined.
- (8) Taylor has shown by his work in production that proper results can be brought about only by systematized—not systemized—work, in which plans, functions, duties and execution are all clearly defined. This is what your committee desires to see done for selling.

Organization for sales research, sales planning, and sales promotion is, of course, a comparatively recent development. Both in function and in relationship to the sales and other departments, existing practices reveal wide differences of opinion as to sales research and sales-promotion departments. While in Cleveland, a nationally prominent rubber manufacturer told me that he has a separate statistical department and a promotion department for each of the three lines of his product, with a sales-promotion representative in each branch. On the other hand, a manufacturer of watches and clocks stated that he places all sales research, sales planning, and sales-promotion activities under the direct care of the marketing manager. The sales-promotion manager of a very large paint-manufacturing concern gives the following outline of the organization and function of his sales-promotion department.*

Roughly classified, the work of the sales-promotion department embraces the following divisions of classifications:

(1) Organization.

(2) Development of new markets.

(3) Increasing the business of established trade.

(4) Sales-research work.

(5) Sales investigation.

(6) Departmental details.

We have an extensive sales-promotion organization and intend it to grow still larger. At present we have 11 distinct and separate sales-promotion departments located in the following cities:

Boston Cincinnati Kansas City Newark Chicago Dallas Philadelphia Minneapolis San Francisco

Cleveland St. Louis

Each organization has its limitations and no sales-promotion department can give individual attention to more than 50 traveling representatives and 750 dealers. When I mention 750 dealers, I am talking about 750 towns in which we are represented by dealers, because our proposition embraced agency requirements and a great many of our products are sold to only one merchant in the ordinary-size town of less than 25,000.

Why do we have 11 district sales-promotion departments, and not one located in our main office? The reason is obvious—the sales-promotion department in Cleveland cannot be in touch with the needs of our Pacific Coast trade and cannot give our representative on the Pacific Coast personal and special attention. Neither can the Newark

^{*}Sales Manager, March, 1921. The Work of the Sales Promotion Department.

sales-promotion department serve the Cleveland district trade and representatives with the assurance of 100% efficiency and results.

The manager, of course, has complete supervision of his department. He is responsible for starting new campaigns decided on by headquarters. He works in a special way with the representatives and frequently goes out with them on special assignments.

The chief clerk is responsible to the manager for the detail and personnel of the department. He reads the representatives' call reports, does promoting off these reports and handles all other work in connection with the representatives. The chief clerk must be a good correspondent, because he does a great deal of letter writing.

The record clerk does all posting of call reports in the call books, tacks the maps and makes out special reports required by the sales managers.

The sales statistical clerk posts and classifies all sales made in the district. A sales-promotion department without a complete, up-to-the-minute sales record of every customer is like a ship without a rudder—it cannot operate efficiently.

The advertising clerk is responsible for the condition and extent of the stock of advertising kept at the district warehouse. Let me explain that our sales-promotion organization is responsible for all advertising features the minute they are through production. This includes folders, booklets, displays, window trim, newspaper electros, etc.; in fact, every feature produced comes under our control. This enables us to use these advertising features to sell from and insures the trade's getting enough advertising—not too much nor too little. Our representatives order the advertising to be sent to their dealers—the advertising clerk is responsible for seeing that the features to be sent are in stock.

The advertising stockkeeper fills the advertising orders—imprints, folders, etc.—and keeps the stock in good, usable condition.

The mechanical clerk operates such devices as the addressograph, multigraph, mimeograph, etc., which are constantly used in getting out our sales-promotion letters and literature.

Stenographers and typists are, of course, necessary and the number is increased in busy seasons and cut down between seasons. This is a brief description of each of our district organizations. The manager, chief clerk, advertising elerk and advertising stockkeeper are men—the rest, women.

The district sales-promotion departments report through the district manager to the general sales-promotion department at Cleveland, which is responsible to the general sales manager. The sales-promotion departments have no connection with the advertising department.

I believe that it would be advisable for us to have a salespromotion department and do sales research work. I have not, however, settled in my own mind whether it would be consistent with the functional organization principles that exist in our factory to combine sales research and salespromotion activities in one department. However, I should like very much to start a sales-promotion department, and I think for the time being, at least, the sales research should be in this department.

Question

- 1. Does consistent application of functional organization principles require separation of sales research and sales-promotion activities?
- 2. What should be the functions of the general sales-promotion department at sales headquarters?
 - 3. To what extent can decentralization be carried?

PROBLEM 57

ORGANIZATION FOR SALES RESEARCH

An automobile company has recently organized a commercial research department whose functions are stated as follows:

- (1) To analyze existing routines or construct new ones for other departments at their request.
- (2) To gather statistics bearing on the market in which this company buys and sells.

- (3) To forecast economic conditions in the market in which it buys and sells.
- (4) To predetermine what the sales performances should be in the various dealers' territories and as a whole.
- (5) To analyze the sales performances of the various dealers and point out faults and suggest remedies.
- (6) To lay out the boundaries of dealers' territories along scientific lines.
- (7) To gather information and work up ideas on the latest and best methods of merchandising the company's ears.

Questions

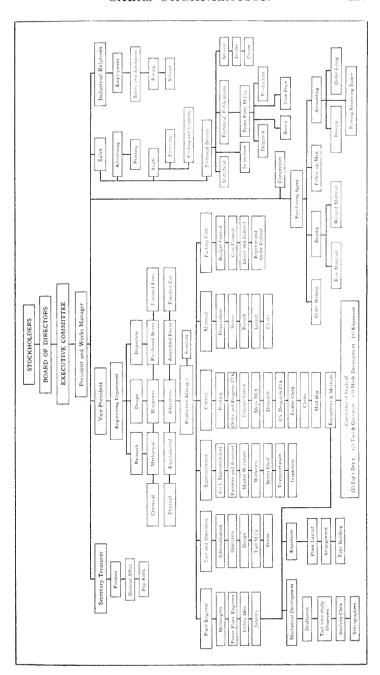
- 1. Should these be the functions of every research department?
 - 2. What omissions may be noted?
- 3. The chart on page 125 illustrates the organization of the above concern prior to the formation of the commercial research department. Where should the proposed research department be placed in the organization?

PROBLEM 58

Organization for Management of Credits

The position of the credit manager in organization has by no means been standardized, but the two common practices are as follows:

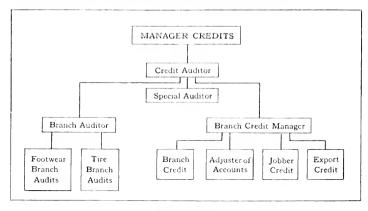
(1) The credit manager is placed under the treasurer or chief financial officer of the concern, on the theory that the administration of credits is a financial matter which can be best handled by a financial officer.



Although it would be admitted by advocates of such a plan that the credit department should not work counter to sales, it is felt that the removal of the credit man from the control of the sales manager operates as a check upon the natural optimism of sales executives.

(2) The credit manager is placed under the control of the sales executive, on the principle that the distribution of goods includes not only the actual selling, but also delivery and the financing of sales, likewise the administration of credits and collections.

In a prominent organization, based upon functional principles, the credit manager is one of the staff of functional managers reporting directly to the president. He is assisted by the credit men in the various branches operated by the company. He is distinct from the manager of finances. The organization of the credit department of this concern is shown below:



Question

Under what conditions is this organization practical?

COORDINATION OF SALES AND PRODUCTION DEPARTMENTS

Not infrequently, manufacturing enterprises have been involved in serious difficulties because of lack of coordination of sales and production. This coordination must rest upon a satisfactory adjustment of sales and manufacturing effort, so that the product sold is satisfactory both in quality and quantity. There must be clear recognition on the part of the sales department of the advantages of mass production. On the other hand, the attempt of the production department to dictate to the sales department overlooks the obvious advantage the sales department possesses in enlarging market demand.

The Morgan Company, with plants in Newark and Buffalo, manufactures drop-forgings. Manufacturing is in charge of a vice-president under whom are the works managers. The distribution of the products is handled through the central organization in Newark by the vice-president in charge of sales. Due to the fact that both officials possess strong personalities, there has been considerable friction between the production and sales departments. In the fall of 1920, when profits dropped and inventories seemed to pile up suddenly, a careful examination was made of the character of inventory. Analysis showed that for various items, of which six or nine months' supply would have been ample, there were supplies as measured by the average sales of the preceding five years sufficient for many The following examples illustrate a stock of a few sizes of drop-forged wrenches. These wrenches were kept in stock in the "rough" (i. e., after they had been forged and trimmed). They were also kept in stock and sold in "unfinished" condition, after undergoing milling and heat treatment. Further, they were stocked and sold in semi-finished and finished condition. which were merely two grades of polishing.

Item	Supply of Unfinished	Supply of Semi-finished	Supply of Finished	
No. 145	None	18 months	6 months	
No. 146	19 years	1 months	3 months	
No. 147	5 years	10 months	6 months	
No. 148	2 years	5 months	18 months	
No. 149	31_2 years	1 years	$2\frac{1}{2}$ years	
No. 150	321_4 years	$1\frac{2}{3}$ years	2 years	
No. 151	80 years	7 years	6 months	

The ordering of these wrenches was in the hands of a middle-aged man who had been in the employ of the company for 10 years or more. He had a good memory and was thoroughly familiar with all the details in regard to the sales and manufacturing. kept records in various books, which were so complicated that they were always a month or two behind. the placing of orders was based on his memory and judgment. In some cases in the past, the stock of a certain wrench had been exhausted and had been brought to the attention of the manager by the sales department. The manager had brought this man up on the carpet; and when he went back to his desk he had made up his mind that they would never catch him again on that wrench. Therefore, he placed orders for large amounts without realizing that the usage of this item was decreasing. This may have been the cause of some of the overstocking of some of the items. other cases this man's judgment may have been correct when he placed an order, but a new wrench which better satisfied the needs of the buying public was put on the market by his own firm or a competitor, thus rendering the particular wrench obsolete.

Still another cause of overstocking was that the foreman of the hammers was allowed to do very much as he pleased. If an order was placed for 5,000 wrenches and he found on completion of the 5,000 that he had enough bar stock on hand to make 2,000 more, he would go ahead and forge them in order to clean up

the odd lots of bar stock. Of course, he knew nothing about the usage of these wrenches.

A little study showed clearly that the economies realized by the foremen through economical runs were much more than offset by the expense of storage, interest, insurance, and depreciation which must be carried in these items at a time when there were many other demands for this capital. While the unusually strong financial position of this company will probably enable it to stand the strain, the board of directors has determined that some arrangement must be made whereby reasonable coordination of sales and production will be secured.

They realize that the organization should adopt certain measures to reorganize the stores system, but they feel that the necessity for coordination should be emphasized also by a change in organization directed toward filling the gap between production and sales departments. Two suggestions are offered:

- (1) The appointment of a coordinating official, who may be a merchandising manager having charge of specific stocks or lines, getting contact with the sales department through meetings with sales officials and through actual contact with customers on the road; in other words, a man who shall have charge of stocks and approve all orders involving increase in stock or change in specifications from standards adopted. The president suggests, however, that this coordinating official be made a staff assistant to the president, reporting directly to him, and transmitting orders as orders of the president to the officials concerned.
- (2) That increase of stock limits and changes in specifications or addition of new products be made subject to committee decision, the committee to consist of the production manager and superintendent, the president, and the sales manager.

Questions

- 1. Which plan is preferable?
- 2. What other measures are required to bring about a healthy condition?

Relation of Traffic Department to Sales Organization

In concerns which have traffic departments there frequently arises the question of organization as to whether the traffic department is to be subordinated to the sales department, to the purchasing department, or otherwise disposed of. In business organizations, examples can be found of all methods.

The Bowman Company, manufacturing pipe fittings, pipe wrenches, threading tools, and valves, maintains a traffic department nominally under the direct control of the president, but actually reporting to the vice-president in charge of sales. It assists the purchasing

department in tracing shipments.

The Brownlee concern, manufacturing engine lathes and metal planers, has simply a shipping department subordinate to the office manager, who in authority is subordinate to the treasurer and coordinate with the sales manager.

The Matheson Company maintains a traffic manager reporting to the sales manager in connection with outward shipments and to the purchasing agent in con-

nection with most inward shipments.

A company manufacturing electrical heating devices has the following officers reporting to the general manager: sales manager, chief engineer, chief accountant. chief nurse, production superintendent, purchasing agent, order-department clerk, chief inspector. to be noted that packing and shipping are placed under the order department, which reports independently of the sales manager or purchasing agent directly to the general manager. In this concern, the head of the order department, who has been acting as traffic manager in addition to general direction of packing and shipping, has resigned and opportunity is given for reorganization if desired. The company has grown large enough so that it might be possible to establish a traffic department, if it seemed necessary, or to assign to a reorganized order department a man with some

training in traffic management. The product is sold to dealers and through electric light companies all over the country.

While legally most companies relinquish liability on goods after securing a bill of lading, many concerns undertake to handle such claims for customers upon receipt of proper vouchers.

Questions

- 1. Should the handling of these claims be the work of the traffic manager or of the individuals in the sales department who ordinarily handle claims and adjustments of other types?
- 2. Should the traffic manager be controlled by the sales department, the production department, or be otherwise placed in an organization?

PART III SALES PLANNING AND RESEARCH



PART III

SALES PLANNING AND RESEARCH

OUTLINE

- A. SALES RESEARCH AND SALES PLANNING.
 - 1. Scope of research.
 - (a) Adaptation to individual enterprise.
 - 2 Methods of research
 - (a) Desk versus field research.
 - (b) Sources of information.
 - Sales research as a basis for major and minor policies.
- B. Research and Analysis of Products.
 - Analysis of present products as to quality, durability, style, uses, trade, and consumer reactions.
 - 2. Analysis and selection of selling points.
 - 3. Selection of styles or models through addition, elimination, or change.
 - 4. Standardization of products and styles.
 - 5. Seasonal factors affecting product.
 - 6. Selection of products to offset seasonal demand variation.
 - Research and analysis of competitive products and substitutes.
 - 8. Planning of containers and methods of packing.
- C. Market Research and Analysis—Demand.
 - 1. Actual and potential demand for product.
 - (a) Volume, location, and nature of demand.
 - 2. Stability of demand.
 - (a) Economic, financial, seasonal, and other factors affecting demand.
 - 3. Extent and nature of competition in its influence upon demand.
 - 4. Requirements for satisfaction of demand with respect to delivery.

- D. Market Research and Analysis—Reaching the Market.
 - 1. Channels of distribution.
 - (a) Analysis of present practices; advantages and disadvantages.
 - (b) Selling direct versus selling through middlemen
 - (c) Determination of types of distributors required.
 - Research and analysis of data to determine prospective consumers, prospective retailers, jobbers, or other sales agencies.

3. Correlation of personal salesmanship and advertising.

- (a) Choice of methods in effective combinations of personal salesmanship and advertising.
- E. Research and Planning in Management of Sales Force.
 - 1. Districting of sales territories.

(a) Basis for laying out districts.

- (b) Methods of planning sales territories.
- 2. Assignment of quotas for sales districts and salesmen.

3. Routing salesmen.

- 4. Planning of equipment for salesmen.
- 5. The sales manual; purpose, content, preparation.
- 6. Planning methods of stimulation.
 - (a) Sales contests.
 - (b) Sales conventions.
- 7. Planning methods of control.
 - (a) Report methods; home-office records.
 - (b) Control of branch manager.
 - (c) Control of salesmen.
- F. RESEARCH AND PLANNING IN ADVERTISING.
 - 1. Planning of advertising campaign.
 - 2. Planning dealer helps.
 - (a) Cooperative advertising with dealers and agents.
 - 3. Planning catalog and other product literature.
 - 4. Planning exhibits.
- G. Planning and Scheduling Orders and Deliveries to Secure Coordination of Sales and Production.
- H. PLANNING A COMPLETE SALES CAMPAIGN.
 - 1. Elements of complete sales campaign.
 - 2. Coordination of plans for constituent parts of campaign.

GENERAL QUESTIONS*

A. SALES RESEARCH AND SALES PLANNING.

Is sales research possible for the small enterprise? How can the small enterprise get facts upon which to base its policies and operations?

To what extent is it advisable to make appropriations for sales research? Are the results of sales research of sufficient value to a business concern to warrant maintenance of research department with field investigators? When and to what extent should independent investigators be utilized?

What type of information can be secured through desk research? What are the limitations of desk or library research? What are the sources of information for all industries; for particular industries? When should the questionnaire be used? How should the questionnaire be formulated?

When should field research be used? What are its advantages and disadvantages? What should be the qualifications and characteristics of field investigators? How can the results of research be tested for accuracy?

B. Research and Analysis of Products.

How can the manufacturer test his products as to quality and durability? How can the manufacturer learn all the uses of a particular product so as to increase the field of demand?

How is the manufacturer to learn the reaction of dealers and consumers toward quality, durability, and style of the product, except as reflected in sales?

How are the selling points for a product to be determined? Which are to be selected for emphasis?

What information is needed to determine the policy as to selection of styles or models, and where is this information to be secured?

How can research and analysis assist in determining the effects of standardization of products and styles upon sales?

What information is needed to determine methods of offsetting seasonal variations of demand?

How are containers and methods of packing to be planned?

C. Market Research and Analysis—Demand.

What is the actual and potential demand for the product as to volume of demand, location of buyers, and elasticity of demand?

Is the demand stable or is it affected by financial, seasonal, or other factors?

What are the extent and nature of competition?

What are the requirements for the satisfaction of demand with respect to delivery?

D. Market Research and Analysis—Reaching the Market.

How are present distribution practices for particular products to be determined?

What data are required for determination of policy as to sale through middlemen? How are data concerning prospective consumers to be secured?

How is a manufacturer to obtain detailed information as to retailers, jobbers, and other sales agencies which are to handle his product?

E. Research and Planning in the Management of the Sales Force.

How should sales districts be laid out? What should determine the number of sales districts? What considerations affect the division of sales territories?

With a given number of salesmen and a given number of customers, how are salesmen to be routed?

Should quotas for sales be assigned to salesmen or to sales districts established for the business as a whole? If so, what should be the basis of assignment of quotas to districts? How should quotas be made up for salesmen?

What equipment is necessary for salesmen? How should it be planned?

What is the purpose of the sales manual? What should be its content? Should a standard sales talk and demonstration be included? How should the sales manual be prepared?

What planning is necessary for sales contests?

To what extent is planning necessary for sales conventions? How are reports and methods of control of salesmen, branch managers and other officials to be planned?

F. Research and Planning in Advertising.

How can an advertising campaign be planned? To what extent is this planning the function of the sales department; to what extent that of the advertising agency, in cases where the preparation of copy and management of space are not handled by the concern itself?

What planning is necessary to secure the best results from dealer helps?

How can planning be applied to the preparation of catalogs and other product literature?

G. Planning and Scheduling Orders and Deliveries to Secure Coordination of Sales and Production.

How may planning and scheduling be applied to orders and deliveries so as to bring about coordination of sales and production?

To what extent can Taylor methods be applied?

H. PLANNING A COMPLETE SALES CAMPAIGN.

What are the elements of a complete sales campaign?

How should a sales campaign for a given product be planned?

How are periodical advertising, dealer helps, and personal salesmanship to be correlated and coordinated in a sales campaign?

What research is necessary to provide a basis for an intensive selling campaign?

*For information upon research and planning as applied to sales, cf. C. S. Dunean, Commercial Research, Macmillan Company; J. G. Frederick, Business Research and Statistics, Appleton; J. G. Frederick, Modern Sales Management, Appleton; J. G. Jones, Salesmanship and Sales Management, Alexander Hamilton Institute; M. T. Copeland, Business Statistics, Harvard University Press, Chapters II, III, and V; A. W. Shaw Company, Selling Series, Graphical and Statistical Sales Helps; Bulletins of the Taylor Society, December, 1920, and April, 1921. Since much of the material in sales research and planning is of a statistical nature, the general works upon statistical method will be found helpful. Among these may be mentioned Horace Secrist, Statistics in Business, McGraw-Hill Company; Horace Secrist, An Introduction to Statistical Methods, Macmillan; W. I. King, Elements of

Scope of Sales Research and Planning

The special committee of the Taylor Society upon Organization and Functions of a Sales Engineering Department advocated in its report the recognition of the "sales engineering" functions as distinguished from sales operation. Briefly summarized, it was declared that as a field research function sales engineering might render service in determining the addition or elimination of products, changes, standardization, present and new uses, seasonal and territorial factors, trade reactions, and competitive products.

In discussing technical assistance offered by sales engineering, the committee reports as follows*:

The range of research and other activities involved in sales engineering is indicated by the following synopsis; it is possible that in a large organization some of them may assume such importance as to be recognized as separate functions:

Products:

Types and Sizes

Selection Standardization Approval

Finishes

Suggestion Standardization Approval Markings

Selection Standardization Approval

Packing

Wrapping
Put-ups
Containers

Suggestion Standardization Approval

Statistical Method, Macmillan; Tipper, Hollingworth, Hotchkiss and Parsons, Advertising: Its Principles and Practice, Ronald Press Company. The Dartnell Corporation has issued reports upon fixing salesmen's quotas and upon the preparation of sales manuals; Modern Sales Organization, published by the Dartnell Corporation, also contains a discussion of districting of sales territory. Among the more general works, ef. C. S. Duncan, Marketing: Its Problems and Methods, D. Appleton & Company, Chapters XIII, XIV, and XV. Numerous articles dealing with sales planning and sales research are to be found in Printers' Ink, System, Sales Management, Sales Manager, Advertising and Selling. For partial list of titles see Bibliography.

^{*}Bulletin of the Taylor Society, December 1920, Vol. V, No. 6, p. 236.

ADVERTISING:

Furnish data on

New products Product changes New uses New markets Trade reactions

Competitors' activities

Prices

Trade customs Seasonal factors Territorial factors

SELLING:

Prices and Margins

Salesmen's Compensation Investigation of methods in practice Suggestions for alternative methods

Territorial Factors

Determine limits and causes therefor Suggest methods of overcoming

Selling Equipment Salesmen's

Design or selection

Dealers'

Suggestion Design

Seasonal Factors

Trade Resistance

Determine causes Suggest methods of overcoming

Economic Factors or Trends

Ascertain

Report probable influence

Suggest methods of overcoming

SALES SERVICE:

Ascertain deficiencies

Suggest remedies

Suggest other service activities.

Markets or Sales Fields:

Report changes

Discover new markets Suggest new policies or methods

COMPETITORS' ACTIVITIES:

Watch and report

Suggest methods of combating

TRADE ORGANIZATIONS:

Report activities

Determine possibilities of cooperation

Report probable effect on sales policies

LEGISLATION:

Watch and report

Suggest necessary action

MERCHANDISE STOCKS:

Regularly check and report Suggest necessary actions

PATENTS AND COPYRIGHTS:

Watch and report Suggest necessary actions

STATISTICS:

Suggest necessary compila- Interpret and suggest necestions sary action

Analyze and report changes or trends

COMPLAINTS:

Analyze Suggest necessary action Compile records

Lastly, it is asserted that sales engineering should become the coordinating function of the entire business, including in part the activities of planning types, sizes, materials, finishes and packing for new products, planning and scheduling production requirements, marketing policies and methods, sales service, advertising policy, and physical distribution of goods.

Questions

- 1. Which activities require field work in order to obtain results of value?
- 2. Which activities are possible for the small organization?

Sources of Information

The following brief list of printed sources of business and statistical information and analysis contains material which may be of use to the sales department, either in determining major policies or in detailed planning and analysis for the execution of master plans. Become acquainted with each one of the sources, show in each case the specific use or lack of usefulness for the sales department of:

- (a) National Aniline & Chemical Company;
- (b) Robert H. Ingersoll & Brother;
- (c) Allis-Chalmers Manufacturing Company;
- (d) W. K. Kellogg Company;
- (e) Goodyear Tire & Rubber Company;
- (f) Other concerns in which you are interested.

In each case, secure information as to the size of the company and the general character of its business from *Moodu's Manual* or other sources.

Reports of organizations which compile and analyze current statistical and business data to determine trend of business:

Harvard Committee on Economic Research, Babson Statistical Organization, etc.

Trade directories.

City directories.

Trade periodicals.

Newspapers.

Reports of trade associations.

F. W. Dodge & Company's reports.

Publications of the Department of Commerce.

Statistical reports by the Department of Agriculture.

Federal Reserve Bulletin.

Dun's and Bradstreet's reports.

Control of Advertising

The Hartney Shoe Manufacturing Company manufactures women's and misses' turns and welts. The capacity of the factory is approximately 12,000 pairs of shoes per day. The company distributes its product through 20 retail stores which it owns and operates and through a number of exclusive agencies in towns having a population of 5,000 and over. Eighty per cent of its output is sold through the above channels and the balance to larger individual buyers, such as department stores and chain store companies. Of the sales to its exclusive agencies and owned stores, 60% are to its exclusive agents.

On June 1, 1918, the executives of the Hartney Shoe Manufacturing Company decided to discontinue their advertising department and have their advertising handled entirely by the S. B. Warren Advertising Agency. The window displays and cuts were to be distributed by the Hartney Shoe Company under the supervision of the sales manager. On August 1, 1918. it was decided to start an advertising campaign. One feature of this campaign was to be a comparison of the rate of stock-turn for their shoes with the rate for the other lines carried by their agents. The demand that existed among the individual consumers for their product as compared with the demand for the other lines was also to be shown. The Hartney Company decided that to obtain the information needed for these features it would be necessary to send out field agents and to mail questionnaires to its agencies.

After the plans for this research were formulated, the S. B. Warren Company stated that they would mail the questionnaires and have the field work done by their representatives; that the results would be compiled in their office and submitted to the executives of the Hartney Shoe Manufacturing Company for their consideration before the advertising copy was approved.

Question

Should the executives of the Hartney Shoe Manufacturing Company have endeavored to install any method of controlling this research work?

DESK VERSUS FIELD RESEARCH

A definite problem, which frequently confronts a company manufacturing a large line of products, is to ascertain the causes for the slump in sales of any particular line.* A paint-manufacturing company, with thousands of articles in its line, has for many years used paid investigators for the purpose of making its more general investigations upon which changes in sales policy and sales plans are based. To check up certain sales plans the trained investigator is sent out to customers to secure answers to the following questionnaire:

	What brands of ——— sell?
	Why?
	Did you make comparative tests?
	Yearly sales?
	Who sells most —————————in town?
	Brand?
	Percentage to painters?
	Percentage to home-owners?
	What percentage ask for ——— by name?
	What percentage without name?
	What do you sell them?
	Do large painters who use ———————————————————————————————————
	Do you sell the large painters who use the ———?
	Is high-grade ——— sold in small cans?
	Is there much demand for high-class ——— in cities such
as	this? Is demand increasing?
	Why is ——— so popular?
	Price?
	Discount?
	Service?
	From whom do you buy?
	Is price of our competitive material right?
	What do trade say about it?
	Were you in our position, what would you do to get —— business?

^{*}Cf. also Printers' Ink, October 25, 1917.

How would you advertise our product?

To what class would you make the strongest appeal? Architect? Merchant? Painter? Home-owner?

What percentage ———— specified?

Brands?

What is feature most demanded—working or durability?

Does painter follow specifications?

Why have you never sold or used ———?

What kind of proposition would appeal to you?

If jobber, exclusive territory?

On your total ——— business, what percentage ask for first-grade, second-grade, and third-grade?

Questions

- 1. Is the information here requested sufficiently valuable to warrant the expenditure necessary to make personal investigations in towns which may be considered typical?
- 2. How much of the information could be obtained without field work?
- 3. Assuming that the slump in sales was noticeable over the major portion of the United States, how should one get first-hand information?

Problem 65 Use of Questionnaire*

The salesmen of a tin and enameled-ware concern were asked to fill out a questionnaire for each merchant visited. The questions were as follows:

- (1) Get list of trade-papers dealer subscribes for.
- (2) Find out which trade-paper he prefers.
- (3) Find out what feature of trade-papers is of most benefit or interest to him.

^{*}From Printers' Ink, May 18, 1916.

- (4) Find out if they read trade-paper advertising.
- (5) Find out if they ever order goods direct as result of trade-paper advertising.
- (6) Find out how dealer feels toward houses who sell catalog house.
 - (7) Find out dealer's attitude toward parcel-post.
- (8) Find out what dealer is doing to overcome cataloghouse competition.
- (9) Find out if dealer derives his trade in our line from middle-class women; if not, what class.
- (10) Find out talking points which dealer uses in presenting our line to his trade.
- (11) Find out if dealer marks goods in plain prices or blind figures.
- (12) Find out if dealers keep their stock well swept and dusted.
- (13) Find out system dealer has of marking goods; does he tag them or mark with crayon?
- (14) Find out number of clerks dealer employs and about what he pays them.
- (15) Find out amount of stock in all lines which dealer carries.
- (16) Find out amount in tinware and enameled-ware line
 - (17) Find out if dealer takes inventory once a year.
- (18) Find out if dealer ever has sales for closing out dead stock.
- (19) Find out if dealers who take inventory count in dead stock at purchased value.
 - (20) Find out what distribution Ware has.
- (21) See what competitors are doing in the way of advertising.
 - (22) See what prices our competitors are making.
- (23) See what new improvements our competitors are putting on their goods.
- (24) Find out if dealer has ever done any advertising of any kind.
- (25) Investigate crop conditions and see effect on dealer's business.
- (26) Secure, as far as possible, copies of previous advertising done by dealer.
- (27) Find out if dealer distributes direct literature to customers and prospective customers.

- (28) Find out if dealer has mailing-list to whom he sends advertising literature regularly.
- (29) Find out if dealer has special sales on any lines of merchandise.
- (30) Find out if dealer prefers buying direct from manufacturer or through jobber.
- (31) See if dealer believes in window trimming and does he have anyone especially fitted for work.
- (32) Find out if dealer reads advertising matter sent him or throws it into waste-basket.
- (33) Find out, if possible, average number of letters and circulars received per day by dealer.
- (34) Collect all literature you can, which is sent to dealers by manufacturers of every line and send it in to us.
- (35) Take pictures of good window trim, store arrangements and crowds which gather around the store when they are putting on special sale.
- (36) Find out percentage of profit which dealer takes on his goods.
- (37) Find out dealer's expense for doing business and percentage over this amount which he figures he ought to make.
 - (38) Find out whether or not he runs delivery wagon.
- (39) Find out whether or not he has telephone and, if so, does he get much business over the phone.
- (40) Find out whether dealer uses phone for soliciting business.
- (41) Find out class of people living in each locality, their source of income, etc.
- (42) Find out number of rural free delivery routes out of each town.
- (43) Find out whether or not people of community are mail-order buyers.
- (44) Find out what color of enameled-ware housewife prefers.
- (45) Find out exactly how housewife asks for article in our line—by name of line, by utensil, by size of utensil, or how.
- (46) Find out from women customers of store what kind of advertising appeals to them—an offer of something for nothing, display of price, advertising of seasonable articles, appeal to vanity, to sense of utility, or to pocketbook.
- (47) Is average hardware dealer very critical as to quality of goods, particularly enameled-ware?

- (48) Does he make claims for damage on goods that have been damaged in transit against the R. R. company?
- (49) Is he prompt in taking care of correspondence and does he appreciate and insist upon prompt reply to any of his letters?
- (50) Does he expect to have his orders filled within a few days after they are placed?
- (51) Does the average hardware dealer send in very many mail orders, or does he prefer to give his orders in person to a representative?
- (52) How often should the manufacturer have his representative call during the year with a line like ours?
- (53) Does he include the freight which he pays on a shipment in his cost?
- (54) When figuring his profit, does he figure this percentage on sales or on the cost or on invoiced price?
- (55) Does he include anything for loss due to bad accounts when figuring expense of doing business?
- (56) Does he devote any time to educating clerks in salesmanship?
- (57) Does he work up any sales schemes for increasing business?
- (58) Does he check up cost or invoice prices with other prices quoted by competing manufacturers of another line?
 - (59) Does he push advertised brands?
- (60) How does the average retail merchant look upon advertising?
- (61) Does the average hardware merchant pay very much attention to our particular line?
- (62) What does the average hardware dealer give preference to in the line that he carries? Particularly the following: builders' hardware, furnace and hot-water heating, heating stoves and ranges, cooking utensils.
 - (63) Does the retailer like an f. o. b. destination price?

Salesmen were equipped with cameras and required to take pictures of dealers' stores, usually with staff posed in front of store; these pictures enabled correspondents to write more intelligently to dealers.

Questions

- 1. Criticize the above questionnaire and instructions.
- (a) From viewpoint of completeness and value to sales department.

(b) As to the advisability of using salesmen as investigators.

- (c) As to feasibility of questionnaire method in this case.
- 2. When can the questionnaire be successfully used by a sales department?

3. What should be the principal characteristics of a questionnaire?

PROBLEM 66

Adapting Research to Specific Enterprise

Questions

- (a) 1. Would research be advisable for the Automotive Sales Company as described in Problem 325?
 - 2. If so, what should be its nature?
- 3. Would the expenditure of \$5,000 for research be wise?

Question

(b) With the very limited resources of Mr. King, as described in Problem 18, is it possible to adopt scientific methods of research?

SALES RESEARCH FOR INSURANCE COMPANY

A large life-insurance company has recently established a sales-research department, with a view to studying the problem of selling its product, namely, life insurance. A letter of the director states: "This study will, of course, include an analysis of the market conditions, present and potential sales, and study of the various personnel problems, remuneration of salesmen, et cetera."

Question

Assuming that no work whatever has been done in compiling information, with the exception of meager records as to sales and information drawn from the accounts, prepare a brief plan indicating the type of information which should be collected for the benefit of the insurance company and the methods which should be used in getting that information.

PROBLEM 68

Sales Research as Basis for Selling Problems and Methods

The Duncan Motor Truck Company, following the example of several manufacturers of motor trucks, has recently undertaken to reorganize to some extent its selling forces and selling policies on what has been called "the vocational plan." Briefly, the plan is to direct selling effort not to prospective truck purchasers in general but to such purchasers classified by industries which have essentially the same transportation problems. As a part of the plan, information which will make possible the most effective selection and utiliza-

tion of motor trucks for each industry is collected by the central research department at the sales headquarters. This information is transmitted in part to branches, when general salesmen are asked to specialize upon particular groups of industries which may be centralized in the district. In the larger organizations and in the larger centers, this is of course possible; and, in fact, the idea of studying the problems by industries can be carried out to some extent even in the small organizations.

Questions

- 1. Assuming that the idea is sound, how can the central research department of the Duncan Company cooperate with the branch office or with the dealer in selling trucks in a particular territory?
- 2. What should be the obligations of dealers and branches under the plan proposed?

Problem 69 Analysis of Product

A few years ago *Printers 'Ink* published the following:

	DEMAND	Developed Undeveloped Forced or Natural Permanent or Seasonable	
PRODUCT	SERVICEABILITY	Is it a Necessity? Is it a Luxury? Is it a Conveniend Is it Durable? Is it Economical i	re? n Use?
	QUALITY	Of Raw Materials Of Design Of Workmanship Of Appearance Of Finish	How Does it Compare with Competing Articles on These Items?

$egin{array}{c} \operatorname{Co} & \operatorname{Max} \\ \operatorname{Profit\ To} & \operatorname{Jol} \\ \operatorname{Br} & \end{array}$	ber ber ber sumer High Medium How Does it Compare with Competing Articles? Low Larger than on Competing Lines? Same as on Competing Lines?
PRODUCT Off Off Ag La La Competition . { Lin Th Th Th Th Th	Smaller than on Competing Lines? ficered by Old Men ficered by Young Men gressive x ng-established falthy

Questions

To what extent can this information be obtained by means of

- (a) Laboratory tests;
- (b) Trade and consumer tests;
- (c) Printed sources of information;
- (d) Field investigators?

Problem 70

Market Analysis for Felt

Felt is used as a component part of many finished articles of manufacture. Some of the products in which it is used are hats, tailored clothing, shoes, electric fixtures, furniture, automobiles, saddles, harness, and billiard tables. This is a very incomplete list of the products into which felt enters, the discovery of new uses being a matter of frequent occurrence.

J. D. Green, a large felt manufacturer, with sales offices in New York, found upon investigation in 1920 that his sales force was not reaching all types of manufacturers buying felt, while the new uses for the product which were continually coming to light often remained unknown to his organization for some length of time, since he had no systematic way of finding these out. In his distribution Mr. Green went directly to the consumer and did not make use of the felt jobber. It was necessary, therefore, that he should learn and seek out his own customers and potential markets.

Questions

1. What methods should he have adopted to insure reaching all types of prospects?

2. What means should have been taken to learn the

new uses of the product?

Problem 71

MARKET ANALYSIS—ANALYSIS OF SELLING POINTS

Mr. Simmons, an engineer connected with a company manufacturing machine tools, has perfected outside of business hours a device for lubricating overhead valves in the overhead-valve type of motor. It has been Mr. Simmons's experience with his own car that after a certain length of time the valves in the valve-in-head type of motor become somewhat noisy, so that the motor does not seem to be running so smoothly as when new. This, he says, is due partly to inadequate lubrication and partly to lack of certain minor adjustments. The latter trouble is easily remedied, but lubrication has furnished a problem for engineers for many years. It is estimated that the device could be

manufactured in quantities for about \$15. However, before capital is put into the manufacturing and marketing of the product, the prospective investors desire some assurance, first, that the product will do what is claimed for it; and secondly, that there is a market of sufficient size to warrant investment.

Questions

- 1. What information is needed to give reasonable assurance?
 - 2. Where and how is this information to be secured?
- 3. Assuming that it is decided to sell the product, how should the selling points of the product be analyzed and presented?

Problem 72

Analysis of Products

The Wyman Company, located in Rochester, New York, has for 50 years carried on a wholesale business in saddlery. Its market extends over New York State, Vermont, Pennsylvania, and into Ohio. Vermont sales are made through a special agent.

The company manufactures on a small scale a horse collar, which is considered better than competing products, because it is so made as to avoid the usual roughness in such products. Eight years ago, perceiving the increase in the demand for motor products and fearing a decline in demand for saddlery, a line of automobile accessories was added. At the present time, the annual sales of \$500,000 are divided about evenly between the saddlery and automobile accessories. Among the automobile accessories handled are two leading brands of nationally advertised tires. The president of the com-

pany is a man of sixty, who desires to retire. He is active head of sales, controlling the eight salesmen employed by the company and the small office organization, as well as other branches of the business.

Mr. John Monroe has been made general manager.

Questions

- 1. Should be plan to change gradually the lines handled, or not?
 - 2. If so, what changes should be made?
- 3. How should be go about determining in what lines the concern should specialize?

Problem 73

Addition of New Lines

The Urquhart Manufacturing Company, manufacturers of pipes, valves, and fittings in steel, iron, brass, and other metals, found late in 1920 that by change in process of manufacture of a certain type of valve enabling steel to be used, approximately one-half of its manufacturing capacity for brass products formerly used in this product would remain idle. The Urquhart plant as a whole, during the depression period, has been operating at a fraction of capacity. The manager realizes that preparations for occupying the brass manufacturing capacity must be made, either through new products or through the increase in sale of goods already manufactured.

Question

List the items of information which should have been in the hands of the managers in order to determine the new policy.

SELECTION OF NEW PRODUCTS TO ELIMINATE SEASONAL DEMAND FLUCTUATION

The Dow Company manufactures and sells art novelties, chiefly tinsel merchandise. It has a number of distinct problems resulting from the seasonal nature of the business. Ninety per cent is Christmas merchandise, the sale of which is limited to four months of the year, while production consumes ten months. The product includes such articles as tinsel rope and string and Christmas-tree decorations. An attractive line of pottery is purchased and sold by the company; it is limited to a few patterns and serves as a gift in the Christmas season. The company distributes over the entire United States, selling to wholesalers and selected retail accounts. The selling season is from January to May, the trade being called upon as a rule once a year, except in the larger cities, where two calls a year are Due to the seasonal nature of the business. the company has a problem in recruiting and maintaining a sales force. Three executive members of the firm spend part of their time in selling; in addition, there are several salesmen devoting their full time to sales and seven salesmen carrying the company's product as a side-line

Since the selling period is limited to four months, the salesmen must find a means of filling in the other months of the year. In spite of the irregularity of the employment, two men have been on the force for ten years, four for three years, and another for two years. The men who carry the product as a side-line, however, change frequently.

The managers try to use great care before giving any outside salesmen the opportunity to represent the company, because of the expense of making up sample trunks and the danger of poor representation. Salesmen are paid upon a contract commission basis, approximately 15% upon goods shipped. A drawing account up to 75% of the commission on sales is allowed, the remainder of the salary being paid at the end of the

year. The management continually faces the problem of preventing overdrawing of accounts by salesmen.

The officers of the company feel that new lines should be added to offset the seasonal nature of their business.

Question

How should they go about determining what products to add to their line?

PROBLEM 75

RESEARCH TO DETERMINE EFFECT OF STANDARD-IZATION OF PRODUCT

The Whiteman Company, of St. Louis, manufactures a trade-marked line of shoes for men, women, and children. The annual sales amount to some \$15,000,000. The production manager has been approached by the superintendent of one of the factories operated by the company with the proposition that his factory shall specialize in the manufacture of a certain medium-grade type of men's shoe, namely, men's genuine Goodyear welt in B-E widths. These are to be made with genuine chrome gun-metal vamps, chrome matt side and top, and oak or fibre soles, only the three most popular lasts among staple lines to be used.

The superintendent has given some thought to the selling proposition. He claims that, since the factory will make only this one type of shoe, and the company by virtue of its large purchases of leather will secure lower prices on raw materials, and provided shoes are sold only in 24-pair case lots to dealers, it will be possible to reduce materially the cost of production and realize economies in buying, manufacturing, and selling. On paper the proposition seems good to the president of the company, but he wishes to be assured more fully as to the possibility of selling the large

volume of shoes of one type which will be the result of such specialization.

Question

What information would be of value to the president in arriving at a decision?

PROBLEM 76

ELIMINATION OF ODD SIZES AND STYLES

The Butler Company manufactures office equipment and is accustomed to carrying a stock of a large number of sizes of the various kinds; ordinarily, there are no less than 4,000 items in stock. Some of these are in constant demand; others are slow sellers. Salesmen are in the habit of stressing the ability of the company to fill all orders. If a buyer wants a cabinet of any size, he can have it. If it is not in stock, the manufacturer is quite willing to make it, and the price for the oddlength cabinet is not out of proportion to that asked for the standard length. Though the business is regarded as prosperous and its sales have increased from vear to year, profits are not increasing. Because of this, a change in management has been made. The new manager recommends standardization and a material decrease in the number of items carried in stock. On the other hand, the salesmen declare that the business of the concern will fall off very considerably if the wants of customers are not satisfied.

Questions

- 1. What facts should the sales manager use in order to support his recommendation?
 - 2. Where are these to be obtained?
- 3. What action should be taken on this recommendation? Give reasons.

PLANNING CONTAINER

An attractive carton has a distinct sales value apart from the trade-mark. Like a trade-mark, the value of the package multiplies with the increase in sales, acquiring a prestige similar to that of the trade-name. A poorly selected package may handicap to no small extent the sales of the good commodity; but a package that stimulates sales, even if only in a small degree, causes to diminish rapidly the initial unit cost and time spent in selecting it.

A manufacturer of food products plans to put on the market a package of macaroni under the firm's collective trade-mark. The usual method of selection has been that of having the officers of the company make the selection, choosing a package that they thought would please the public.

Ouestions.

1. Can you suggest any method whereby a more definite idea can be secured as to the most attractive package among a group of designs submitted?

2. What methods may be adopted by the manufac-

turers for keeping containers fresh and salable?

3. What requirements should a good container fulfil?

Problem 78 Market Analysis

The first step in analyzing demand is to determine the classes of users and their buying habits with reference to a specific line. The demand for commodities varies in extent from purely local to international. The buyers in the market may be classified upon many different bases to facilitate determination of number of

prospective buyers for a given product. Age, sex, marital condition, wealth and income, occupation, nationality, all affect nature of purchasers and buying habits. For many articles, purchasers may be easily determined. For others, extended research may be necessary to determine where the prospective demand begins or what the limitations of demand are.

The following outline, published in *Printers' Ink*, is suggestive of the possible field of demand:

ANALYSIS OF POSSIBLE FIELD OF DEMAND

	LOCATION City Town Country Local Territorial National		Wealthy Well-to-do Poor Married Single Young	
		MALE.	Middle-aged Old	
	Consumers	MALE	Laborers {Ski Una Farmers Mechanics Clerks	skilled Doctors Lawyers Ministers
			Professions Business Men	Mech. Engr. Elec. Engr.
				Civil Engr. Etc.
FIELD		Female		
			Servants Factory Workers Office Workers Trade Workers Professional W Mothers	orkers
	CLIMATE	nperate) women

Crops Mining FINANCIAL CONDI-Manufacturing TION DEPENDS Transportation Lines Speculation ON Professional Services Rendered Railroads Water Routes Trolley TRANSPORTATION. Wagons Pack Trains Length of Haul CLEIF Rates Method of Packing Officered by Old Men Officered by Young Men Aggressive Lax Long-established Newly established Wealthy Competition . . . { Limited Means Their Sales Plans

Questions

Their Sales Force

toward Customers Their Sales Manager

Their Advertising Campaign Their Policy toward Customers

Their Credit Department's Attitude

What additional information, if any, would be required to analyze the potential demand for one of the following products: high-grade automobiles, universal joints used in the manufacture of automobiles, rubber belting, men's work shoes, condensed milk, canned fruit, structural steel, bindery twine, ginghams, high-grade carpenters' tools, foundry products, dropforgings, men's collars, household refrigerators, woodworking machinery, pianos, varnishes, fountain pens, sewing-machines, silver-plated flat ware, artificial limbs, surgical appliances, type-setting machines, confectionery, rubber tires, flour, locomotives?

RESEARCH TO DETERMINE STABILITY OF DEMAND

The president of the Borden Shoe Company, manufacturers of high-grade shoes, stated in 1920 that his best market was in the South and that the negroes were accustomed to spend freely, buying the best grade of shoes. Although the sales were widely scattered, a large percentage was concentrated in southern districts. The efforts of the sales department were directed mainly toward maintaining business in that section.

One of the junior executives claims that the southern market is not a permanent one and that special effort should be directed toward building up the dealer organization and the sale of these shoes in northern territory.

The company operates three retail stores in New York, and their success demonstrates to the firm the style and quality value of the goods.

Questions

- 1. Is the recommendation to concentrate efforts on northern territory sound?
- 2. What facts does the executive need to prove his case?
 - 3. How can he get them?

Problem 80

Market Analysis for Auto Accessories

A company manufactures automotive equipment and specialties, such as electrical fittings, switches, and timers, also Ford parts. These specialties are designed particularly for Fords, but may be used on other cars in the Ford class.

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Questions

- 1. What information can be secured as to the market for such products?
- 2. How may the expense of a direct-to-consumer mail campaign be estimated?

Problem 81 Market Analysis

A company which manufactures filing equipment and bookkeeping machines makes the following statement:

In round figures there are 1,240,000 commercial houses, banks, institutions and hotels in this country that can use our products. We have boasted of 56,000 customers sold in two years. Our lists have an average of 10,000 possibilities per territory, but we average only about 200 customers per territory per year. The highest sales volume last year was 320 customers. The following shows our activities in a fair provincial territory:

	Possibilities	We Sell	Yearly Sales
General Stores	1,138	12	\$ 900.00
Retail Groceries	1,113	10	450.00
Wholesale Groceries		28	3,200.00
Retail Dry-Goods	211	5	420.00
Retail Drugs	432	5	190.00
Retail Furniture	282	1	75.00
Retail Lumber	434	31	1,225.00
Manufacturers	848	7	2,325.00
Retail Hardware	293	18	950.00
Retail Clothes	191	2	75.00
Hotels		3	190.00
Garages	248	4	425.00
Banks	251	18	828.00
	5,777	144	\$11,253.00

Questions

- 1. What conclusions, if any, can be drawn from these facts?
 - 2. Are the "possibilities" of equal value?

PROBLEM 82 MARKET ANALYSIS

Questions

- 1. What methods should be adopted for securing mailing lists of prospective users and lists of dealers to be used in planning sales campaigns for the following concerns?
 - (a) Manufacturers of interior telephone and signaling equipment.
 - (b) A cigar manufacturer who plans campaign in Illinois
 - (c) A manufacturer of automobile trucks.
 - (d) A manufacturer selling snap fasteners.
 - (e) Manufacturer of non-glare lenses for automobile headlights.
 - (f) Manufacturer of farm tractors.
 - 2. How can mailing-lists be kept up to date?

Questions

- 3. To what extent and under what conditions can a mailing-list be used in the following cases?
 - (a) Planning advertising activities.
 - (b) Establishing a salesman's quota.
 - (c) Locating factory branches.
 - (d) Appraising the possible yield of territories.
 - (e) As a means of establishing jobber connections.
 - (f) As a means of control of salesmen.

Market Reached by Advertising

The statement has been made that the maximum market which it is possible to cultivate by advertising for most medium and high-grade goods may be calculated as follows:

- (1) Take the number of urban families of white blood in which one or both parents were born in the United States:
- (2) Add $5\frac{C}{c}$ of resulting figure to above to include suburban residents classed as rural;
- (3) Add 30% of rural white families in which one or both parents were born in the United States, because these are susceptible to urban trade influences;
- (4) Deduct 50% to eliminate those with insufficient incomes.

Question

Criticize the method and its results as applied to the year 1920.

PROBLEM 84

Market Analysis for Staple Product and Specialty

Questions

Select one staple product and one specialty. For each, prepare a market analysis, securing information upon the following points among others:

- (1) The exact sources of population statistics applicable to this particular analysis.
- (2) The exact sources of information as to retail dealers, directories, etc.

- (3) The exact sources of information as to jobbers, wholesalers, and other agencies.
- (4) The exact sources of information as to prospective purchasers where possible.
- (5) Sources of information upon buying habits of consumers.
- (6) Sources of information upon competitive products and competing manufacturers.

Problem 85

Analysis of Market for Turrines

According to a newspaper report, plans are being made to market a new invention in the way of a reversible turbine, for which is claimed the possibility of revolutionizing present methods of driving big ships. The value of the invention is said to be in the fact that the blades will be confined to one section, instead of two, as now prevalent, with power to reverse the movement of ships almost immediately, without the loss of time, pressure and velocity.

The invention is that of Fausto Pedreira Machado, a Brazilian, now a resident of this city (New York), who was sent to this country by the President of Brazil to find a market. The result was the incorporation in Delaware of the American Machado Turbine Corporation, with a capital of \$1,000,000 and headquarters at 111 Broadway. The invention was patented in this country on November 30, 1920, and it is stated plans are being formulated to establish a manufacturing plant in the vicinity of New York.

Question

How should the officers of the company go about getting information relative to the market for the product?

Market Analysis—Work Garments

For eight years the Higgins Company has manufactured a line of work garments, specializing in one-piece work suits, or jacket with pair of overalls combined. Samples of this garment were first placed in the hands of salesmen in January, 1913. During the year there were sold only 118 dozen. By the first of January, 1914, it was virtually decided to discontinue the garment. In March, 1914, calls began to come in for more of the combination garments. By the end of the year there were sold 4,800 dozen. The sales in succeeding years were as follows:

1915.... 10,500 dozen 1916.... 66,000 " 1917.... 154,214 " 1918.... 190,000 " (not including those 1919.... 260,000 " purchased by Govt.) 1920.... 375,000 "

The development of sales in this garment proved of such proportions that the factories specialized in this particular line and new plants were opened in Topeka, Kansas; San Francisco, California; Cleveland, Ohio; Harrison, New Jersey; and Minneapolis, Minnesota. The largest business, considering population, in the history of its development is secured from the state of Illinois, in which the concern was first located.

The regular line consists of eight numbers for men, three for youths, three for boys, and one for children, in the highest-grade, trade-marked line. There is also another line, which is described as inferior to the trade-marked garments. The label does not bear the name of the company; much less yardage is used; it lacks not only the wearing quality, but the comfortable features of the trade-marked garment. It is made and sold for the purpose of meeting price competition where the better garment cannot be sold; the line is not sold except as a last resource. It was introduced in response to the insistent demand of salesmen for a line which could be sold in competition with mail-order houses in certain farming communities.

Questions

- 1. Make a market analysis for New England for this company's line, with a view to determining whether or not a factory should be located there.
- 2. Should the company continue to handle the inferior line mentioned above?

PROBLEM 87

RESEARCH AS BASIS FOR DISTRIBUTION POLICY

The Garvin Company manufactures various paper products, among which are featured a cup, a spoon, and a fork. These articles are made of fiber, cost little, and are to be thrown away after having been used once. The spoons and forks are sold exclusively in bulk, 500 in a package; the cups are sold in packages of 100. The product is distributed through manufacturers' agents and wholesalers. There are three principal points from which the product is sold. A New York manufacturers' agent covers the entire eastern territory, with the exception of a few small New England cities in which the company sells direct to wholesalers. The Chicago representative is a wholesale paper concern with a territory comprising 12 middle western states. The third is a wholesaler located in Kansas City, who has been given the remaining states west of the Mississippi. In addition to the above, a few wholesalers represent the company in 10 of the smaller cities of the South.

The results have not been satisfactory. The goods were first placed upon the market in 1917, when the sales amounted to about \$20,000. In the following year, sales were trebled; in 1919, sales were double those of 1918. The volume manufactured and sold

is insufficient to keep the selling price low and yet leave a fair margin of profit. The company feels that the system of distribution requires revision and that a national sales organization and policies must be developed which will quickly absorb daily maximum production of the factory and divert as little as possible of the working capital from production to sales expense.

Questions

1. What information does the sales manager need in order to formulate new plans?

2. Where is this information to be secured?

PROBLEM 88

RESEARCH TO DETERMINE TYPE OF DEALER TO SELL PRODUCT

The Cutler Company manufactures a patented temperature-retaining container, first introduced during the war when the Government bought the output for the purpose of packing and preserving food. The container is shaped like a long pail or bucket, light in weight, and made of paper and metal. It gains its power of preservation from a system of air cells on the top and bottom, so that outside temperature reaches the interior very slowly. It is made in one-quart and two-quart sizes, selling for \$1.50 and \$3.50 respectively. It is a development following the introduction of a vacuum model. It has a number of uses and will keep several kinds of liquids and foods in their original condition for several hours.

The officers of the company are confronted with the problem of marketing the product. While they realize that it may be sold by hardware dealers, druggists, and

others selling vacuum containers, they feel that this is not so large a market, particularly for their product, as they desire. The suggestion is made that it be marketed not only through the ordinary type of dealer, but also through ice-cream parlors and ice-cream manufacturers, who would sell the product together with the ice-cream.

Question

What information is necessary to determine the best policy for distributing this product?

PROBLEM 89

RESEARCH TO DETERMINE DISTRIBUTION OF A PRODUCT

The Norton Clock Company manufactures clocks and sells them entirely through jobbers. Since clocks form only a portion of the line of the various jobbers and only a small part of the stock of any retailer, traveling salesmen direct to the retail trade to create a demand seem to be expensive and uneconomical. Nevertheless, since the clock manufacturer has been a consistent advertiser, he desires to know more about the distribution of his product than he does at present. While the volume of sales has grown from year to year, the sales manager feels that he is in the dark as to the possibilities of further increase and that knowledge as to distribution among retailers would assist him materially in planning for the future. Such information is necessary also for the proper direction of advertising.

Question

What is the easiest method to determine the distribution of a nationally advertised, trade-marked article sold through jobbers where the salesman does not call on the retail trade?

Analysis of Distribution

Representatives of the Merchandising Bureau of the Baltimore News recently made a survey of the city to ascertain the market condition of cane, corn, compound and maple syrups and molasses in the stocks of various wholesale firms and retail grocery stores. Compilations of the reports show that there were about 20 brands in the stocks of retailers. The facts were presented as follows:

	Νū		s Approximate
		out of 100	percentage of
Brand		where sold	distribution
Golden Crown		97	97%
Karo		88	88
Br'er Rabbit		75	75
Star Brand		19	19
Log Cabin		12	12
Turkey Brand		7	7
King.		5	5
My Wife's		4	4
Penn Mar		4	4
Domino		3	3
Mayflower		1	1
Mountain Boy		1	1
Palmetto		1	1
Dew Drop		1	1
Falcon		1	1
Golden Gem		1	1
First Prize		1	1

Orla Molasses, Old Time Molasses and Aunt Dinah Molasses are also sold in Baltimore, but seldom in warm weather. At the time of the survey, none of these was carried by any of the stores visited.

A second table was included, giving the activity rating, which it explained as follows: "Believing that the process of securing distribution represents about 60% of market cultivation, that the influences which establish a product as a leader in its line, though not less important, represent about 30%, and that the class of retail outlets, their location, their relative value as outlets for the particular product under consideration,

represents about 10%, these products have been computed on that basis. By way of illustration, let us suppose that Brown & White have succeeded in getting an indicated distribution of 98%, that their product is sufficiently well known and liked as to make it the best seller in 23 stores out of the 100 interviewed during an investigation, and that every high-class store in the city, including all of the downtown stores, carries it in their stock.

"The rating would be worked out as follows:

Distribution	.98%:		60%	of	total	=	58.8
Sales leadership	. 23	=	30%	of	total	=	6.9
Class of outlets	.99 =	=	10%	of	total	=	9.9
Sales activity	rating	r					75.6

According to this plan, the table showing the sales activities of table syrups in Baltimore appeared as follows:

•	Number of	
	times reported	
	leader in	Activity
\mathbf{Brand}	$100 { m \ stores}$	rating
Golden Crown	74	90.4
Karo	17	65.9
Br'er Rabbit	. 0	51.1
Star Brand	. 0	13.1
Log Cabin	. 0	9.2
Turkey Brand	. 1	X
King		X
My Wife's	0	X
Penn Mar		X
Domino	0	X
Mayflower	1	X
Mountain Boy	0	X
Palmetto		X
Dew Drop	0	X
Falcon		X
Golden Gem	0	X
First Prize	0	X
(773)		C

(The sign x indicates a rating of less than five.)

Questions

1. What conclusions are to be drawn from the viewpoint of the American Sugar Refining Company, manu-

facturing Domino Table Syrup?

2. What further information would be desirable for the Corn Products Company, manufacturers of Karo Syrup, in order to determine whether the situation in Baltimore is satisfactory?

3. Would it be profitable for the Corn Products Company to undertake a similar survey through special

agents for the larger cities of the country?

4. Criticize the activity rating as an index of distribution.

5. What measures must be taken in order to secure

results that may be regarded as significant?

6. Assuming that the 100 stores chosen for investigation contributed a fair sample from a statistical standpoint, what is the significance of 88% distribution for Karo syrup?

PROBLEM 91

RESEARCH TO DETERMINE STATUS OF DISTRIBUTION

A cooperative fruit growers' association, located in the state of Washington, sells most of its crop in the big consuming centers of the East. In discussing the new advertising campaign, the sales manager said:

We have often wondered if the retail merchants were really pushing the sale of boxed apples as much as they might. You no doubt have heard western apples criticized, because some particular eastern friends have made statements somewhat as follows: "Although they look nice, they don't taste like New York state apples," etc. We have no figures on the margin at which our apples move, either

jobbers' or retailers', and this information would be very useful to us, especially since we contemplate in years to come doing considerably more advertising in the retail and jobbing field.

Question

How could be get the information be desires?

PROBLEM 92 MARKET RESEARCH

The Sanders Company, of Boston, was organized in 1920 to undertake the manufacture and distribution of a new photographic product. The company was in the hands of competent executives and had sufficient financial backing to adopt such methods as seemed best in order to develop the market. The management desired to make a careful analysis before launching the product which was planned for the latter part of 1921.

Briefly, the chief product of the company was to be a highly sensitized photographic paper on which pictures could be taken directly, thus eliminating the use of the film or negative. This paper was to be marketed in rolls suited for the various types of cameras upon the market. The promoters of the company laid emphasis upon the following selling points of the paper:

1. Speed in Getting Pictures

The development of the pictures was claimed to be both simple and rapid. Inasmuch as the necessity of printing from a film was eliminated, greater speed in obtaining finished pictures was possible. A roll of pictures could be developed in five or ten minutes. This made possible much quicker results with amateur developers, and promised greater speed from trade finishers.

2. Reduction of Cost

It was estimated that the cost of finished pictures would be reduced 40% since the film and its finishing were eliminated.

3. Quality Results in Picture Taking

Besides the paper the management also expected to sell the chemicals and apparatus necessary for developing pictures and a reproduction device whereby copies and enlargements of the original could be obtained.

Question

What should have been included in the market analysis?

Problem 93

RESEARCH TO DETERMINE METHOD OF REACHING MARKET

The Marshall Company has for a number of years manufactured steel office furniture and filing equipment. In order to increase its sales, it investigated the safe deposit box market, and conceived the idea of manufacturing them in units of standard sizes; in this particular, following the same idea that was used in their other metal office equipment. Their standard units consisted of boxes of different sizes which were perfectly aligned, were capable of performing the same task as built-in boxes, and cost from $33\frac{1}{3}\%$ to 40% less. They were as safe and secure as the old-style boxes and could be delivered in 30 days. The company is undecided as to whether it should attempt to reach users directly through the regular channels for office furniture.

Question

What information can be secured to aid in deciding?

PROBLEM 94 SALES DISTRICTS

The Northfield Manufacturing Company manufactures ventilating equipment for creameries, barns, and hog-houses. It is located in a small Wisconsin city. There are no branch offices. There is, however, an eastern representative located in New York City, who has a display room in the Grand Central Palace. Through the central and northwestern states, such as Michigan, Ohio, Indiana, Illinois, Minnesota, Wisconsin, the Dakotas, and Montana, the company sells mostly direct to the dealer, though where no dealer is established sales are made direct to the consumer. Lumber dealers constitute the main distributors in the Middle West; while in the East, dealers who handle dairy supplies, barn equipment, and farm machinery seem to be better agents. Salesmen work out of the home office, covering both northwestern and eastern states. Mail orders are filled and solicited, particularly in the territories not covered by salesmen.

Question

How should the company determine number and boundaries of sales districts to be established?

PROBLEM 95 SALES DISTRICTS

No uniformity is followed by large enterprises in choosing sales districts, as is shown by the selection of four divisions for a company manufacturing an office appliance, sales headquarters at New York; five divisions by a manufacturing druggist, headquarters in the same city; six divisions by an office appliance manufacturer using Cleveland as a center; seven divisions

in the case of an office appliance company, with headquarters at Detroit; nine divisions by a paint manufacturer, whose main sales office is located at Chicago; twenty-four divisions by a Milwaukee company handling gasoline engines, factory and mill supplies; fortyfive divisions office appliance, headquarters Chicago.

At least four of the firms mentioned direct their selling efforts toward the same classes of prospects.

Questions

- 1. What reasons may be assigned for the difference in number of districts chosen?
- 2. To what extent does the number of districts chosen depend upon company policy with regard to control of branches and salesmen?
- 3. Is it advisable to depart from using state lines for delimitation of territories if number of districts is less than the number of states?
 - 4. Why or why not?

PROBLEM 96 REDISTRICTING SALES TERRITORIES

The Beaver Board Company manufactures and distributes paints and varnishes, blackboards, "Vulcanite" roofing and a wall board extensively advertised under the name "Beaver Board" which takes the place of lath and plaster and makes the use of plaster unnecessary. According to 1920 statements, Beaver Board is distributed through 9,000 dealers in the United States and foreign countries. Sales offices in the United States are located in Albany, Buffalo, Baltimore, Birmingham, Boston, Cleveland, Chicago, Cincinnati, Detroit, Kansas City, Milwaukee, Minne-

apolis, New York, St. Paul, and San Francisco. The company has considered redistricting its sales territories on the basis of population, so that each district would comprise about 1,000,000 inhabitants.

Question

Take an outline map of the United States and divide into territories on this basis, indicating district head-quarters.

PROBLEM 97

DISTRICTING AND ROUTING OF SALESMEN

The R. B. Randolf Company of Boston manufactures men's shirts and pajamas. It distributes its product directly to retailers, and in connection with this distribution the company carries on a wholesale business in men's furnishings. Goods of its own manufacture are sold chiefly under its own brand, though a dealer's mark is substituted if desired. The company's label is likewise placed on all articles in the wholesale line except those advertised by the manufacturers. The market of the company is the territory east of the Mississippi and north of a line running approximately from St. Louis to Washington, D. C.; 75^{er}_{er} of the total sales, however, are made in New England.

The company is an old, established concern that up to 1921 had seen fit to make but few changes in management or in its method of conducting business. Growth had been slow and steady, and the organization had remained almost intact; the turnover of the sales force had been small. In 1921, through the retirement of older members of the firm, a new management took charge. In the reorganization that took place at that time among other changes the new management desired to alter the system of districting and method of control-

ing the sales force in an attempt to secure a wider distribution.

When the new management took charge, the sales force consisted of 20 men, most of whom had long been in the employ of the company. They were paid on a flat commission basis, and each had his own set of customers. Each salesman was zealous in his efforts to keep for himself these customers, because the commission from each account helped to swell his income. In the course of time the districting of salesmen in some places had become confused, so that crisscrossing of routes was not infrequent. In some instances three salesmen visited the same city. As an example of the manner in which such a condition arose may be cited the case of one of the older salesmen who had worked up a list of customers in the larger cities of Massachusetts and Connecticut. He had neither the time nor the patience to take care of the small stores in these cities, so younger salesmen were permitted to enter there to care for the small accounts.

In June, 1921, the districting and routing was somewhat as follows:

Maine: 2 salesmen.

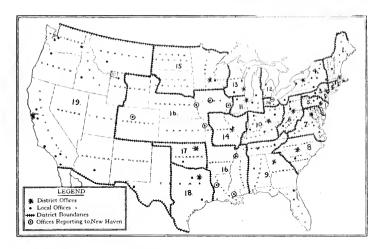
New Hampshire: 1 salesman. This man, however, visited several towns in Maine.

Vermont and Northern New York (Lake Champlain District): 1 salesman.

Boston and environs: 4 salesmen.

Massachusetts (outside of Boston District), Rhode Island, Connecticut: One salesman visited selected accounts in the larger cities. Four other salesmen had the three states roughly divided between them, but the lines of demarcation of territory were not at all clear and the routes crossed many times.

New York: New York City had a branch salesroom and 2 outside salesmen. One salesman covered the rest of the state with the exception of the northern portion and the larger cities. A member of the firm covered the larger New York cities such as Rochester, Syracuse, and Buffalo.



Maryland, Delaware, and Southern New Jersey: 1 salesman.

Pennsylvania and Northern New Jersey: 1 salesman.

Illinois, Wisconsin, and Michigan: 1 salesman.

Ohio and Indiana: 1 salesman.

The salesmen routed themselves and made no regular report to the management except for such notations as occurred on the order slips.

The new manager of the company desired to retain the same sales force but wished to install a more systematic method of districting and routing.

Questions

- 1. Toward what plan of districting should the company work?
- 2. What measures should be taken to retain the good will of the sales force when a change is made?

Sales Districting

The Bond Billing Machine Company has its main sales office in New Haven, Connecticut, with branch offices in 96 cities throughout the United States, as well as in numerous cities in foreign countries. Domestic sales are in charge of an assistant sales manager under the general sales manager.

Previous to July, 1921, there were 19 sales districts in the United States, each in charge of a district manager. Under each district manager were local managers in charge of sales and service stations in the cities of his district. The district manager was responsible for the hiring and control of the sales force in his terri-

tory and for the supervision of local branches.

At the time stated, the district manager received his compensation through a commission on the sales in his district. After paying those subordinate to him he was left with about 5% commission on sales for his supervisory work. Out of this he had to pay the expenses of the district office, as well as his traveling expenses. During the war period and until the fall of 1920 this method of compensation proved satisfactory, since sales were large. When the depression came, however, the commissions were not sufficient to hold the services of a desirable type of manager. Moreover, it was found that the work in the districts was not sufficient to fully occupy the time of a district manager in supervisory work. Further, the districts were not large enough to justify maintenance of a training class of salesmen by each district manager to be in readiness for such vacancies as occurred in the sales force. In addition, the number of salesmen under each district manager was so small that if any one of them slumped in sales it materially affected the record of the whole district and correspondingly reduced the salary of the district manager.

In the light of these facts the domestic sales manager decided to redistrict the country, reducing the number of districts from nineteen to five. Such a reduction was thought advisable inasmuch as it would enable the manager of the new districts, which were to be called divisions, to maintain a school for salesmen, while the duties would be sufficient and the compensation enough to attract men of high caliber. Moreover, such a scheme would make fewer reporting heads to the main office and would thus simplify control.

The map on page 181 shows the districts as they existed at the time reorganization was undertaken.

The list, beginning on this page, of the counties and states included in each district gives more in detail the actual territory included in each district, as well as the number of local offices. It will be noted that a number of states in the Middle West were controlled from the home office.

DISTRICT No. 1 (NEW ENGLAND DISTRICT) Boston—District Office

Territory: States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island.

Local Offices: Portland, Me.; Lebanon, N. H.; Springfield, Mass.; Worcester, Mass.; New Bedford, Mass.; Providence, R. I.

DISTRICT No. 2 (CONNECTICUT DISTRICT) New Haven—District Office

Territory: State of Connecticut

Local Offices: Hartford, Conn.; Bridgeport, Conn.

DISTRICT No. 3 (New York DISTRICT) New York City—District Office

Territory: Southern New York State—bounded by and including Counties Sullivan, Ulster, and Dutchess; Staten Island and Long Island; Northern New Jersey—bounded by and including Counties Ocean, Monmouth, Middlesex, Somerset, Hunterdon, Morris, Sussex; Pennsylvania—Counties Wayne, Pike, Monroe, Lackawanna, Luzerne, Wyoming, Sullivan, Columbiana, Montour, Northumberland, Lycoming, Clinton.

Local Offices: Newark, N. J.; Paterson, N. J.; Wilkes-Barre, Pa.

District No. 4 (Northwestern District) Rochester—District Office

Territory: All of New York State except southeastern corner south of Counties Delaware, Greene and Columbia; Pennsylvania—Counties Eric, Crawford, Warren, McKean, Potter, Tioga, Bradford, Susquehanna; Ohio—Counties Lorain, Medina, Wayne, Summit, Stark, Cuyahoga, Lake, Geauga, Portage, Trumbull, Ashtabula.

Local Offices: Albany, N. Y.; Syracuse, N. Y.; Binghamton, N. Y.; Utica, N. Y.; Buffalo, N. Y.; Eric, Pa.; Cleveland, Ohio; Akron, Ohio.

District No. 5 (Philadelphia District) Philadelphia—District Office

Territory: Southeastern Pennsylvania—bounded by and including Counties Fulton, Huntingdon, Center, Union, Snyder, Juniata, Perry, Dauphin, Schuylkill, Carbon, Northampton; New Jersey—Southern N. J., bounded by and including Counties Mercer and Burlington; also County Warren in Northern N. J.; Delaware—whole state.

Local Offices: Trenton, N. J.; Camden, N. J.; Wilmington, Del.; Allentown, Pa.; Reading, Pa.; Harrisburg, Pa.

DISTRICT No. 6 (PITTSBURGH DISTRICT) Pittsburgh—District Office

Territory: Western Pennsylvania—bounded by and including Counties Mercer, Venango, Forest, Elk, Cameron, Clearfield, Blair, Bedford; Maryland—Counties Garrett, Allegany; West Virginia—whole state except Counties Morgan, Berkeley, Jefferson; Ohio—Southeastern Ohio, bounded by and including Counties Mahoning, Columbiana, Carroll, Tuscarawas, Guernsey, Noble, Morgan, Washington; Kentucky—Counties Greenup, Carter, Boyd, Lawrence, Johnson, Martin, Floyd, Pike.

Local Offices: Wheeling, W. Va.; Huntington, W. Va.; Youngstown, Ohio.

Proposed Office: Johnston, Pa.

District No. 7 (Washington District) Washington, D. C.—District Office

Territory: State of Maryland—except Counties Garrett and Allegany; Virginia—whole state except following counties: Buchanan, Russell, Washington, Scott, Lee, Wise, Dickinson; North Carolina—Northeastern corner, bounded by and including Counties Northampton, Bertie, Martin, Washington, Tyrell, Dare.

Local Offices: Baltimore, Md.; Norfolk, Va.; Richmond, Va.

DISTRICT No. 8 (CAROLINA DISTRICT) Charlotte, N. C.—District Office

Territory: North Carolina—whole state except northeastern corner bounded by and including Counties Northampton, Bertie, Martin, Washington, Tyrell, Dare; South Carolina—whole state.

Local Office: Greenville, S. C. Proposed Office—Wilmington, N. C.

DISTRICT No. 9 (SOUTHEASTERN DISTRICT) Atlanta, Georgia—District Office

Territory: Georgia—whole state; Florida—whole state; Alabama—whole state; Tennessee—east of Tennessee River; Kentucky—Counties McCreary, Whitley, Knox, Bell, Harlan; Virginia—Counties Buchanan, Russell, Washington, Scott, Lee, Wise, Dickinson.

Local Offices: Savannah, Ga.; Jacksonville, Fla.; Birmingham, Ala.; Knoxville, Tenn.; Nashville, Tenn.

Proposed Office: Montgomery, Ala.

DISTRICT No. 10 (CINCINNATI DISTRICT) Cincinnati, Ohio—District Office

Territory: Ohio—bounded by and including Counties Van Wert, Allen, Hardin, Marion, Morrow, Richland, Ashland, Holmes, Coshocton, Muskingum, Perry, Athens, Vinton, Jackson, Pike, Adams; Kentucky—whole state except Counties Greenup, Carter, Boyd, Lawrence, Johnson, Martin, Floyd, Pike, Harlan, Bell, Knox, Whitley, McCreary; Indiana—bounded by and including Counties Benton, Tippecanoe, Clinton, Tipton, Madison, Delaware, Randolph; Illinois—Counties Clark, Crawford, Lawrence, Wabash, White, Hamilton, Gallatin, Hardin, Saline, Pope, Massac, Johnson.

Local Offices: Columbus, Ohio; Indianapolis, Ind.; Evansville, Ind.; Louisville, Ky.

Proposed Offices: Dayton, Ohio; Lexington, Ky.

District No. 11 (Chicago District) Chicago, Illinois—District Office

Territory: Illinois—bounded by and including Counties Stephenson, Ogle, Lee, Bureau, Henry, Knox, Warren, McDonough, Fulton, Mason, Logan, Dewitt, McLean, Ford, Iroquois; Indiana—north of and including Counties Newton, Jasper, White, Carroll, Howard, Brant, Blackford, Jay; Michigan—west of and including Counties Cheboygan, Otsego, Crawford, Roscommon, Clare, Isabella, Gratiot, Clinton, Ingham, Jackson, Hillsdale.

Local Offices: La Porte, Indiana; Kalamazoo, Mich.; Rockford, Ill.

Proposed Offices: Grand Rapids, Michigan; Fort Wayne, Indiana; Peoria, Illinois.

DISTRICT No. 12 (DETROIT DISTRICT) Detroit, Michigan—District Office

Territory: Michigan—east of and including Counties Presque Isle, Montmorency, Oscoda, Ogemaw, Gladwin, Midland, Saginaw, Shiawassee, Livingston, Washtenaw, Lenawee.

Local Office: Bay City, Mich.

District No. 13 (Milwaukee District) Milwaukee, Wis.—District Office

Territory: Michigan—northwestern part known as the Horn; Wisconsin—bounded by and including Counties Villas, Oneida, Lincoln, Marathon, Wood, Juneau, Vernon.

Local Offices: Green Bay, Wis.; Madison, Wis.

DISTRICT No. 14 (St. Louis District) St. Louis, Mo.—District Office

Territory: Missouri—east of and including Counties Putnam, Sullivan, Linn, Chariton, Howard, Cooper, Morgan, Camden, Dallas, Webster, Douglas and Ozark; Illinois—bounded by and including Counties Adams, Schuyler, Cass, Menard, Sangamon, Macon, Piatt, Champaign, Vermilion, Edgar, Coles, Cumberland, Jasper, Richland, Edwards, Wayne, Jefferson, Franklin, Williamson, Union, Pulaski, Alexander.

Proposed Office: Springfield, Ill.

District No. 15 (Minneapolis District) Minneapolis, Minn.—District Office

Territory: Wisconsin—bounded by and including Counties Iron, Price, Taylor, Clark, Jackson, Monroe, LaCrosse; Minnesota—whole state; North Dakota—whole state; South Dakota—whole state except Counties Butte, Meade, Lawrence, Custer, Fall River and that part of Pennington County west of South Fork Cheyenne River; Canada—provinces Saskatchewan, Manitoba, Ontario west of a line drawn from Melgund on the C. P. R. at extreme north end of Lake Superior to the point where Missinabi River enters James Bay.

Local Offices: St. Paul, Minn.; Winnipeg, Canada.

Proposed Office: Duluth, Minn.

DISTRICT No. 16 (New Haven DISTRICT) New Haven, Conn.—District Office

Territory: Louisiana—whole state; Mississippi—whole state; Tennessee—west of Tennessee River; Arkansas—whole state; Missouri—west of and including Counties Mercer, Grundy, Livingston, Carroll, Saline, Pettis, Benton, Hickory, Polk, Greene, Christian, Taney; Kansas—whole state; Colorado—whole state; Wyoming—east of and including Counties Big Horn, Washakie, Natrona, Carbon; Nebraska—whole state; South Dakota—Counties Butte, Meade, Lawrence, Pennington County west of South Fork, Cheyenne River, Custer, Fall River; Iowa—whole state; Illinois—Counties Jo Daviess, Carroll, Whiteside, Rock Island, Mercer, Henderson, Hancock; Ohio—northwestern part bounded by and including Counties Paulding, Putnam, Hancock, Wyandot, Crawford, Huron, Erie

Local Offices: New Orleans, La.; Shreveport, La.; Memphis, Tenn.; Kansas City, Mo.; Denver, Colo.; Omaha, Neb.; Des Moines, Ia.; Davenport, Ia.; Toledo, Ohio.

District No. 17 (Oklahoma District)
Tulsa, Oklahoma—District Office
Territory: Oklahoma—whole state.
Local Office: Oklahoma City, Okla.

District No. 18 (Eastern Texas District)
Dallas, Tex.—District Office

Territory: Texas—east of and including Counties Hardeman, Foard, Knox, Haskell, Jones, Taylor, Runnels, Concho, Menard, Kimble, Kerr, Real, Uvalde, Zavalla, Dimmit, Webb, Zapata, Starr, Hidalgo, Cameron.

Local Offices: Fort Worth, Texas; Houston, Texas.

Proposed Office: San Antonio, Texas.

District No. 19 (Pacific States Division) San Francisco, Cal.—District Office

Territory: Washington—whole state; Idaho—whole state; Montana—whole state; Wyoming—west of and including Counties Park, Hot Springs, Fremont, Sweet Water; Utah—whole state; Nevada—whole state; Oregon—whole state; California—whole state; Arizona—whole state; New Mexico—whole state; Texas—west of and including Counties Lipscomb, Cottle, King, Stonewall, Fisher, Hemphill, Wheeler, Collingsworth, Childress, Nolan, Coke, Tom Green, Schleicher, Sutton, Edwards, Kinney, Maverick; Canada—Provinces of Alberta, British Columbia, Yukon.

Local Offices: Oakland, Cal.; Fresno, Cal.; Los Angeles, Cal.; Sacramento, Cal.; San Diego, Cal.; San Bernardino, Cal.; Phoenix, Ariz.; Salt Lake City, Utah; Seattle, Wash.; Spokane, Wash.; Tacoma, Wash.; Portland, Ore.; Boise, Idaho; Butte, Mont.; El Paso, Tex.; Reno, Nev.; Vancouver, B. C., Can.; Calgary, Alberta, Canada.

Question

How should the sales manager have redistricted the country into five divisions so as to accomplish the results he desired?

PROBLEM 99

DETERMINING NUMBER OF ACCOUNTS TO BE HANDLED BY SALESMEN

Among business concerns employing traveling salesmen, there is a wide variation in the average number of customers handled by one salesman; likewise, the number of salesmen handled by one branch manager. The number of accounts handled by the individual salesman will depend upon several factors, among which are:

(1) Frequency of Salesman's Visits to Customers.

It is evident that the traveling salesman of a local jobber, who calls upon his trade once each week, can reach a much smaller number of customers than the salesman of a territorial jobber who may visit some of his trade only every two or three weeks. The shoe salesman visits customers usually only twice each year and can handle many more accounts than the salesman for a biscuit manufacturer who visits customers every three weeks the year around.

(2) Location of Prospects or Customers.

A salesman can reach more customers of a given type in a metropolitan area than in a rural district. Many types of dealers vary closely in proportion to population. On that account, in the dense population of the East, more calls can be made than in certain far-western districts with sparse population. The policy of the company with respect to distribution affects the relative location of customers to be called upon. With exclusive agencies, each call will frequently mean to the salesman a trip between towns. The degree of intensity of distribution also affects the number of accounts the salesman is able to reach in the course of a month.

(3) The Character of the Product.

If it is seasonal, the visits will be made only during the buying seasons. If it is a staple, standardized and well known, then considerably less time is necessary for the salesman to handle the business with each customer. On the other hand, if the product is a new specialty requiring demonstration, or one of a technical nature requiring tests, the number of customers or prospects reached will be decreased in proportion to the difficulty of selling. The reputation and prestige of the selling concern will also materially affect the time necessary to make a sale; likewise, the amount of preliminary work done by the house.

(4) Transportation Facilities.

Where transportation facilities are adequate, where there is frequent train service, or in cases where automobiles are available, many more accounts can be handled ordinarily than when frequent delay is caused by inadequate transportation service.

The influence of these factors is reflected in the number of accounts handled by salesmen of typical concerns. The tire salesmen of a rubber company handle on the average 60 accounts, while the rubber footwear salesmen of the same concern handle from 350 to 400 accounts each. The salesmen of a concern manufacturing adding machines and certain office appliances may handle from 800 to 1,000 accounts. In a furniture concern the salesmen handle from 150 to 200 accounts.

Questions

- 1. Can methods used in developing standard practice in production departments be applied to developing standards for the number of salesmen that can be supervised efficiently by a branch manager and the number of branch managers and salesmen to be directed by a general sales manager, as well as the number of accounts handled by the individual salesmen?
- 2. How should a sales manager determine how many accounts his salesmen should handle?

Problem 100

LAYING OUT SALESMEN'S TERRITORIES, ROUTING SALESMEN

The Webster Rubber Tire Company has divided the United States and Canada into 14 districts with head-quarters in the following cities: Baltimore, Boston, Chicago, Cincinnati, Detroit, Kansas City, Minneapolis, New Orleans, New York, Philadelphia, Portland, Pittsburgh, San Francisco and Toronto.

The Detroit District consists of the state of Michigan. Also the counties of Allen, Dekalb, Elkhart, Kosciusko, LaGrange, Marshall, Noble, St. Joseph, Steuben, and Whitley in the state of Indiana. And the counties of Allen, Cuyahoga, Defiance, Erie, Fulton, Hancock, Henry, Huron, Lorain, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams and Wood in the state of Ohio.

On the basis of experience, the sales manager feels that a salesman should not attempt to handle a large number of accounts. In the New York District the average number of accounts per salesman is 75; Boston District, 66; Kansas City, 40 (in process of development); Detroit, 38 (in process of development); Cincinnati, 62. Exclusive representation is the rule in towns of less than 5,000 inhabitants. Salesmen call upon accounts once each month. Wherever possible, the salesmen are so routed by the company as to permit them to return weekly to district or sub-offices. Each month's work consists of four trips of a week's duration each, the remaining working days being spent at head-quarters in sales-promotional work.

Questions

- 1. Using an outline map which shows county lines, lay out salesmen's territories within the Detroit District and route one of the salesmen traveling by rail, also one traveling by automobile.
- 2. Using such railroad guides, route maps, etc., as may be necessary, locate the necessary sub-offices in the territory. There are about 500 accounts in each district.

Problem 101 Sales Districts

The sales manager of the Baker Soap Company, of Boston, in planning a new sales organization, is confronted with the problem of establishing new sales districts.

It is realized that the number of districts must be sufficiently large to afford opportunity for maintaining and increasing the distribution of their products, but not larger than can be economically justified. For purposes of comparison, it is desirable that the districts once chosen should remain without change for a considerable period of time and that any changes which might be warranted by increase in business should be made with least possible disturbance of territorial organization and arrangements. At the outset, the number of districts is to be not less than six. The population of the districts should be approximately equal. Products are sold through drug stores and grocers, separate salesmen being used for each class. Calls must be made upon approximately 80^{c_7} of dealers in each class. From experiment it has been learned that each salesman can make from 200 to 400 calls per month, depending on territory.

Questions

- 1. Outline the districts which you would advise.
- 2. Prepare a set of instructions which would show a subordinate precisely what to do in order to determine number of salesmen necessary; lay out salesmen's territories.

PROBLEM 102 ROUTING SALESMEN

The assignment of territories to salesmen of the Curtis Shoe Company has not been made on the basis of state and county lines. An analysis of territories of particular salesmen shows considerable overlapping. In the main, each salesman's work is concentrated in a certain area, but there is a frequent crossing of routes. Ohio, for example, lies in the center of areas covered by five salesmen, so that there is frequent crisscrossing of routes. In the West, the territory is more clearly defined, but even there confusion of territories is not unknown. Each salesman is given, at the beginning of the season, what is called a territory book, with the list of exclusive dealers whom he is to call upon and a record of their past purchases. Transportation rates are the deciding factor in laving down a man's territory. Large cities are put on separate routes and visited by older salesmen. Besides the desire to have the large cities covered by the better salesmen, it is found to be necessary to visit these agents more often. This was especially true during the recent period when retailers in general followed a hand-to-mouth buying policy. The firm found that salesmen could not make these frequent visits if they were given definite territory and lists of small towns to be covered within a comparatively short period.

Question

What would be the advantages of rearranging territories so as to give each man a separate and distinct territory based upon geographical lines?

Problem 103 Sales Quotas

The Burroughs Adding Machine Company has been a pioneer in establishing quotas for salesmen's districts. These quotas are set not on men, but on territories; not on district managers, but on districts. The quotas constitute, therefore, careful estimates of sales possibilities. It is stated that, in the experience of this company, at least three factors should be used in building quotas for this concern and in lines similar to the Burroughs; namely, merchant enterprise statistics, population statistics, and past performance, or past sales.

Other firms, in fixing quotas for salesmen and territories, give weight to such factors as population, wealth of community, nature of local industries, per capita measurements, records of past sales, ability of salesmen, automobile registrations. Others add a certain per cent to previous sales to determine quotas for future sales.

Questions

1. What factors, if any, should be used in the assignment of quotas by every concern irrespective of nature of product?

2. Criticize population as a basis for quotas.

3. What are the advantages and disadvantages of past performance exclusively as a basis for estimating future sales?

4. What considerations should enter into the determination of sales quotas by the Ford Motor Company, Conklin Pen, Westinghouse Lamp, United Drug, Allis-Chalmers, Russia Cement, Kelly-Springfield Tire, and American Multigraph Sales?

5. Should quotas be apportioned equally over the

year?

PROBLEM 104 SALES QUOTAS

A company manufacturing writing inks of various colors, copying inks, glue, cement, mucilage, typewriter ribbons and carbons, and other specialties, has fifty domestic salesmen under four associate sales managers under the direction of the general sales manager.

No quotas are set for salesmen, because it is stated that, since salesmen call upon retailers, wholesalers, and jobbers alike, no quota can be set which would be of value in measuring ability of salesmen.

Question

Is this a valid argument against an effort to assign quotas?

PROBLEM 105

SETTING QUOTAS FOR SALESMEN

In 1920 and for some years previous, it had been the practice of the McKenzie Company of Dayton, Ohio, manufacturers of low-priced watches, to make estimated production for the year the basis for the total quota of the sales organization. A certain percentage of increase over the previous year had always been added to give new quotas. Each of the 17 different models was assigned to a definite quota, which was distributed among the branches in proportion to the previous year's sales. Branch managers assigned quotas to the salesmen on the same basis. The salesman's quota on each of the 17 models and his sales were kept before him on a daily quota sheet showing how much he was undersold or oversold on all of them. Some salesmen found one model very much easier to sell than others. Usually they would undersell on one model, and oversell on another, which the house desired to push. The quota plan, however, demanded orders in certain proportions, and the salesmen governed themselves accordingly. If it so happened that the salesman oversold on a certain model, he was short-rated on that particular model, and over-rated on another, in order to make up the difference the following month.

The management had up to the time stated, however. experienced some difficulties in fairly assigning quotas to salesmen. The distribution of the product has always been effected partially through direct sales to the retail trade by a sales force of nearly 100 men. The jobber and the company have sold to the retail trade on the same terms. It has been the policy of the company, however, to avoid competing with the wholesaler: where a retailer has traded with a jobber the company's salesmen have been instructed to stay out. Such a system has been pursued because it has been thought that it stimulated the jobber to greater effort and helped him to introduce the line into new stores. This system, however, made difficult the maintenance of quotas by salesmen. Whenever a jobber became efficient he cut in upon the trade of the salesman, who, in turn, was to be commended as he followed out the policy of the company in avoiding those retailers dealing with the wholesaler. When a wholesaler became aggressive, as might be expected, he secured the salesman's best customers. Again, during the latter part of 1920 the industrial depression cut down the sales of watches of this company materially, so that the scheme of quotas based on previous sales was not satisfactory.

The salesmen had for years worked on a straight salary basis. At the beginning of 1921 the management desired, if possible, to institute a system of salary and bonus, in order to stimulate salesmen to greater effort. The bonus suggested was to be a percentage on sales above quota.

Questions

- 1. What effect would the financial condition of the country at the time have had on the fixing of quotas for 1921?
- 2. What scheme could have been adopted to adjust quotas to jobbers' activities?

PROBLEM 106

Relation of Quota Assignments to Sales Districts

In fixing quotas for districts and for salesmen, one of the most difficult problems is to make proper allowance for differences in sales districts and territories. Every sales manager knows that, with an equal amount of effort, a man will get varying results in different parts of territory served by any large company. On the other hand, the varying ability of salesmen so complicates determination that most quotas contain a very large element of estimate and judgment on the part of sales executives.

A plan tried out by the sales manager of a gas company in a large eastern city had among its purposes the securing of a basis for judgment of both men and territories within this city.* The sales force for the city consisted of 14 men. The plan was to concentrate the entire selling force in each man's territory on Monday, Wednesday and Friday afternoons during a period of 14 weeks.

The names of the men were drawn by lot and, as each man's name was drawn, the district to be worked was listed in regular order. The streets to be canvassed, as well as the appliances to be sold, were left to the representative in whose district the men were to work. The men worked in pairs, each pair taking one side of a designated street.

The sales covered small, miscellaneous and accessory appliances, as well as the usual standard gas ranges, water heaters, fixtures, domes, indoor and outdoor arcs, single lights, maintenance contracts, etc. Prospects were prepared for the visits of the salesmen through a package of the literature of the company, which was delivered at each house on the day previous to the group canvass. The earnings of the entire force were pooled and the sum given to the man whose district was being worked. The following results were obtained during the period:

^{*}Printers' Ink.

BUSINESS SOLD BY EACH MAN

Salesmen	Points	Amount
A B	470^{1}_{2}	\$ 367.11 571.66
C D E	278	309.41 310.21 223.19
F G	$\begin{array}{ccc} & 384\frac{1}{2} \\ \dots & 291 \end{array}$	$\frac{466.38}{362.21}$
H I J	447	283.16 548.31 873.16
K L	268	324.91 378.28
M N	$ \underline{561\frac{1}{2}}$	565.93 597.83
	$5,392\frac{1}{2}$	\$6,181.75

Business Sold by Each Man

Salesmen	C DILL COMP	Points	1
batesmen		romts	Amount
A		112	\$ 134.50
$\mathbf{B}\dots\dots$		537	706.74
		299	351.85
		443	474.63
		$426\frac{1}{2}$	380.00
		330	318.39
		$304\frac{1}{2}$	349.05
		$464\frac{1}{2}$	547.23
		631	764.93
		$198\frac{1}{2}$	216.53
		340	392.60
		$338\frac{1}{2}$	439.00
		$386\frac{1}{2}$	419.23
		$581\frac{5}{8}$	687.07
	_	$\overline{5,392\frac{1}{2}}$	86,181.75

The totals of the columns relating to points and money value will agree, because all sales made by any man during the two-hour period must show up either in his own territory or in the territories of other men whose districts he helped to work. The prospects developed were worked to very good advantage afterward.

Questions

- 1. What conclusions are to be drawn from these records?
- 2. While it is evident that the plan in its entirety is limited in its application, what features might assist the sales manager of a large office appliance concern to determine the relative difficulty of making sales in the different sales districts, so as to be able to judge properly the performance of his men?

PROBLEM 107 SALES MANUAL

The assistant sales manager of a company manufacturing writing paper in various colors and weights favors the preparation of a manual for its salesmen. This company makes a specialty of business stationery sold to business men ordinarily through printers, lithographers, and engravers, who in turn are furnished by wholesale dealers.

The salesmen of the company are, therefore, few in number and deal with wholesalers almost exclusively.

Question

Prepare for the sales manager a brief report giving your reasons for desiring a manual and embodying your recommendations as to form and contents of manual and method of preparation.

PROBLEM 108 SALES MANUAL

A company manufacturing a medium-priced automobile finds, in common with other companies, that it must issue for the user a manual which gives the main points of instruction on the car, things to be observed in its use, and remedies to be adopted in case of ordinary troubles.

At the same time, it finds that some method must be adopted of informing the salesmen in the various agencies, district and local, through which the company sells. These agencies are not owned by the company, but each one is under contract to purchase a certain number of cars per year from the company at discounts which are part of the contract.

Questions

- 1. What should be included in a manual?
- 2. Should a separate manual be prepared for the salesmen who deal directly with consumers?
 - 3. If so, what should it contain?
- 4. Would you include a model sales talk to be used by retail salesmen?

PROBLEM 109 SALES MANUAL

A company manufacturing work garments issues annually a manual, of which the following is an outline:

SALES DEPARTMENT

Guaranteed sales.
Exclusive agencies.
Special garments.
Packing and shipping.
Collections.

Correspondence.
Mail-order eards.
Orders for advertising matter.

Daily reports. Route lists. Salesmen's mail.

Copies of correspondence.

Mail orders.

Requisition for supplies, samples, and advertising.

Penmanship.

Disposition of old samples.

The union label. Construction. Our 5 x 10 signs.

Credit.
Contract.

Salesmen's commissions. How to keep and use records.

"Dealer helps" and the dealer's help.

Are you a successful sales-

Factory vs. farm. Demonstrating. The big game.

Advice to salesmen.

Do's intermingled with dont's.

Loyalty.

Helps in writing up orders.

Advertising Department

The 1920 advertising campaign.

Advertising schedule—1920.

Newspapers. Farm papers.

Children's garments.

General and trade publications.

Inside promotion work.

Question

Could the same plan be adopted successfully by a manufacturer of women's suits and cloaks?

Promiss 110 SALES MANHALS

The following are brief outlines of sales manuals used by various types of concerns:

(1) Sales manual of a concern manufacturing a calculating machine: form, 3 x 6, looseleaf:

Section I. Manual of salesmanship, including standard demonstration, common objections, standard answers,

Section II. Machine manual, showing standard mechanical demonstration and comparison of this machine with other machines.

Section III. General instructions for managers and salesmen, giving briefly terms of sale, delivery, guarantees, and the like

Section IV. Manual of advertising, purpose, media, most economical employment of media, prospect lists, direct-by-mail advertising, cooperation between salesmen and advertising department, and general instructions from advertising department.

(2) Sales manual of the "Bestever" tractor division of the Knollwood Company, manufacturing implements:

Chap. I.—General statistics on tractors.

Chap. II.—Bestever history and qualifications.

Chap. III.—Bestever general construction.

Chap. IV.—Bestever motor construction.

Chap. V.—Counter claims and objections.

Chap. VI.—Cooling system. (Service.)

Chap. VII.—Carburction. (Service.)

Chap. VIII.—Ignition. (Service.)

Chap. IX.—Lubrication. (Service.)

Chap. X.—Motor Mechanism. (Service.) Chap. XI.—Transmission. (Service.)

Chap. XII.—General Service. (Service.)

Chap. XIII.—Lubricating oil.

Chap. XIV.—Horsepower and metallurgy.

Chap. XV.—Bestever thresher.

Chap. XVI.—Knollwood tractor moldboard plow.

Chap. XVII.—Knollwood tractor disc plow.

Chap. XVIII.—Knollwood tractor lister.

Chap. XIX.—Knollwood tractor disc harrow.

Chap. XX.—Interesting facts and suggestions.

The manual is printed in pamphlet form, 7 x 9 inches in size.

- (3) A concern manufacturing electrical equipment, from the smallest to the largest installations, in its manual of the sales department takes up the character and the duties of each type of official and member of the sales organization, gives a complete statement of office practice, and set of directions for handling orders from the simplest to the most complicated syndicate installations, relations of the sales department to all the other departments; lastly, full instructions as to the use of all forms, reports, and control systems. The result is a book of upwards of 1,000 pages in loose-leaf form 7 x 9 inches in size.
- (4) A manufacturer of biscuits uses a small folder, in which are given with the utmost briefness general suggestions for more sales, policy of the company, prices and terms, handling orders, credits and collections, reports and correspondence, complaints, and selling points, the whole covering only seven small pages.
- (5) A company selling oil stoves gives, first, complete history of the company; then the sales presentation, taking up specific facts concerning the product which every salesman should know. The second section covers salary, expenses, and commission accounts. The third is concerned with advertising, containing sub-sections on the portfolio, its value and use; advertising campaign, how to use it; better sales plan; local general advertising, window display. The fourth and last treats of dealer cooperation, including personal salesmanship, collections, what a salesman should know about credits, the importance of signed orders, "dont's" to remember when writing orders, following orders through the factory. Form—7 x 9 inches; pamphlet.

Questions

1. Criticize the above manuals from the standpoint of content and form.

- 2. Prepare an outline for a manual for salesmen of the Poore Company, the principal products of which are hard candies, soft-stuffed candies, cough drops, chocolate and cocoa. Approximately one-half of the product is sold in Chicago. The manufactured product is delivered in trucks to retailers by the manufacturer. Elsewhere, the company sells its product through wholesalers throughout the United States. Annual volume of sales about \$4,000,000.
- 3. Prepare outline of a set of instructions for salesmen for the new type of Gillette razor, bearing in mind that the old type is to be sold at \$1 and that the Gillette Company is not to make unlimited adjustments by taking back old-type in exchange for new-type razors.
- 4. Under what conditions is it advisable to use a sales manual?
- 5. How are members of a sales force to be induced to master the contents of a sales manual?

Problem 111

PLANNING AN ADVERTISING CAMPAIGN

The Garfield Electric Company specializes in the manufacture of induction motors in the larger sizes, from 100 to 500 horsepower: that is, motors of the type that are usually used for shop and similar requirements. The business of the company has been built up largely by the substantial method of securing a trial for some of their motors in large manufacturing plants and by depending on the staff of the manufacturing plants to produce larger orders. The electric motor field is somewhat peculiar in that there are several very large

electrical companies making motors as a part of their business and who, on account of their extremely large line of apparatus, have very well-known names. There are many smaller manufacturers and a number of jobbers who simply have motors made for them under their own nameplates. The consequences are that any of the small manufacturers are likely to be regarded as merely jobbers.

The Garfield sales plan consists in selling motors to a large extent to manufacturers of large machinery, such as elevators, pumps, hoists, machine tools, etc. plan was adopted for several reasons. In the first place. not enough care has been used in getting exactly the right size motor for a machine, with the result that motors have been too large and power has been wasted. In the second place, the logical way to buy a motor is to buy it for the machine for which it is intended. The two pieces of equipment are absolutely interrelated and by buying them together the buyer centralizes the responsibility for the good operation of the tool in one place. It also permits the manufacturer of the machine to fit his machine at the time it leaves the shop, with a motor which he knows to be satisfactory. Since any machinery manufacturer has to apply a number of motors in a year, it pays the company to have men who are specialists in motor application make a thorough study of each machinery manufacturer's requirements. which could not be done if it were simply a case of applying a motor to one individual machine in somebody's shop.

The company is, however, meeting with considerable sales resistance, due to the fact that the company is not as well known as its competitors. It is proposed that this be remedied—

- (a) By sending out a letter per month to 2,500 machinery manufacturers, making about 30,000 for the year.
- (b) By sending out some 15,000 catalogs and 100,000 circulars.

(c) By advertising in the Saturday Evening Post and Literary Digest so as to get at experts and advisers, consulting engineers, contractors, architects, and central stations. Because of the large appropriation, the magazine advertising is considered the keystone of the campaign.

Questions

1. What investigation should be made before undertaking the proposed campaign?

2. Should the sales manager approve of the expen-

diture of the \$50,000 required for this campaign?

3. What steps should be taken to plan the campaign?

PROBLEM 112

Planning to Secure Coordination of Sales and Production

A concern manufacturing cheese-cloth for domestic use, bandages of all kinds, jeweler's cotton and absorbent cotton is confronted with the problem of securing more satisfactory coordination of sales and production. The raw material constitutes the major portion of the manufactured cost of the product; and, since the cotton market is a highly speculative one, the selling price of the finished product of the company fluctuates with the spot price of raw cotton. The larger customers for the company's product closely follow the cotton market. A change in the price of raw material makes a sudden change in the demand for the finished product in both quantity and grade. In case the market is high, only the cheapest grades of cheese-cloth are purchased and in smaller quantities; but as soon as the

price drops even a small amount, there is an active demand for better grades. The demand is, therefore, a very fluctuating one.

The following table of orders for the first 12 weeks of 1921 is illustrative:

Week, ending	Orders in yards
Jan. 1	489,285
8	852,438
15	$1,\!514,\!672$
22	1,300,330
29	904,760
Feb. 5	1,873,892
12	1,986,408
19	717,748
26	560,136
Mar. 5	1,488,403
12	$807,\!440$
19	$2,\!028,\!885$

Very large inventories would make it possible to satisfy customers' immediate demands at peak periods, but the carrying of large inventories is inadvisable because, if large stocks happen to be left in the storeroom, losses through fluctuations in raw material may result. Furthermore, it seems that no change in organization can satisfactorily handle this situation. The problem has been put up to the sales department to find a solution if possible.

Question

Would sales research or planning assist in solving the problem?

PROBLEM 113 Scheduling Shipment

The Penn Paper Box Company is located in one of the suburbs of Philadelphia. Its product consists almost entirely of small cardboard boxes used as containers for various kinds of package goods. For example, among its products at the present time are candy boxes, soap containers, packages for teas and coffees, and boxes of various sizes to hold different types of dry-goods. Because of the bulk of the made-up boxes the market is restricted to local territory.

The competition in this industry is very keen, but by holding to a high standard of business ethics and by persistent effort the Penn Company has been able in 20 years to grow from very meagre beginnings until now it is one of the largest and strongest paper box firms in its section. In spite of its strong position, however, the management must continually face the problem of meeting the competition not only of several large concerns, but of numerous small factories.

All boxes are made according to specifications given by the customer, while the printed wrappers pasted over the rough cardboard are furnished by the customer. For this reason boxes are made only when an order is received or when a customer takes boxes of a certain kind continuously. The most valuable customers are those manufacturers and distributors who call for such a continuous supply of a certain type of box.

A problem in the management of the Penn Company is that of bringing a proper coordination between sales and production. Considerable saving is effected by putting large orders through the factory. As far as possible, a definite schedule for at least a week is kept, but the sales department is continually breaking into this schedule. Customers call the factory, stating that a special type of box is desired and demand delivery within a day or two. Often these rush orders come from the largest customers of the concern, those who take regular supply of a standard box. The sales department hesitates to refuse these demands for fear

of losing trade. The attitude of certain customers is reflected in the statement of one who said "If you do not do this for me, the Jones Box Company will." These demands for rush orders are a frequent occurrence. As stated, the production schedule is upset and costs are raised, while at the present time, June, 1921, when the factory is running only four or five days a week, it is sometimes necessary to call in workers on the days when the plant is closed and start the machinery simply to meet such demands.

Question

What measure should be taken to remedy this situation?

PROBLEM 114

COORDINATION OF SALES AND PURCHASES IN WHOLESALE DRY-GOODS CONCERN

The practice of James Kennicott & Company, a large wholesale dry-goods concern, is to place advance orders for women's flannelette underwear in the latter part of December or early part of January for the following fall and winter seasons. This advance order is normally for about 65% of the preceding year's business. The salesmen then go out on the road and take advance orders from customers during February and the following months. These advance sales give a check on the advance purchases and determine the amount to be reordered. Shipments to customers are made between August 15 and October 15—the bulk between September 15 and October 15.

In 1920, \$100,000 of this underwear was sold. This represented nearly double the annual sales of a normal

pre-war year, as far as money is concerned, but was little more in quantity. The largest part of the sales were made eight months before delivery, when there was a rising market and a very brisk demand. In the four months preceding delivery, there was a continuous decline in prices, and in the fall customers were very reluctant to accept the goods for which they had previously placed orders.

A mild winter followed. Moreover, retailers were slow in marking down prices, so that there was more than a normal carry-over of stock on retailers' shelves. In January, 1921, the basic price of material for the product was 60% lower than in the preceding season.

Questions

- 1. What should be the amount of the advance order in 1921 for this type of merchandise?
- 2. What information should the sales department furnish to the buying department as a basis for decision?

PROBLEM 115 SALES CAMPAIGNS*

(a) A cooperative marketing association of California prune growers has distributed the product of its members through the usual channels, utilizing the services of brokers in most of the important markets. It is suggested that the prunes be packed in convenient containers of one-pound, two-pound and five-pound sizes and that a selling campaign be inaugurated to secure widespread distribution and sale. There seems little doubt that \$200,000 working capital could be secured for this purpose.

Question

Prepare a brief statement indicating what is involved in planning and executing such a campaign.

^{*}Upon Sales Campaigns, see also Problems 187, 188, 321.

(b) The Sudbury Manufacturing Company of Springfield, Massachusetts, has for many years manufactured large amounts of mop heads, wiping cloths, clothes lines, twine, and other products out of cotton varn.

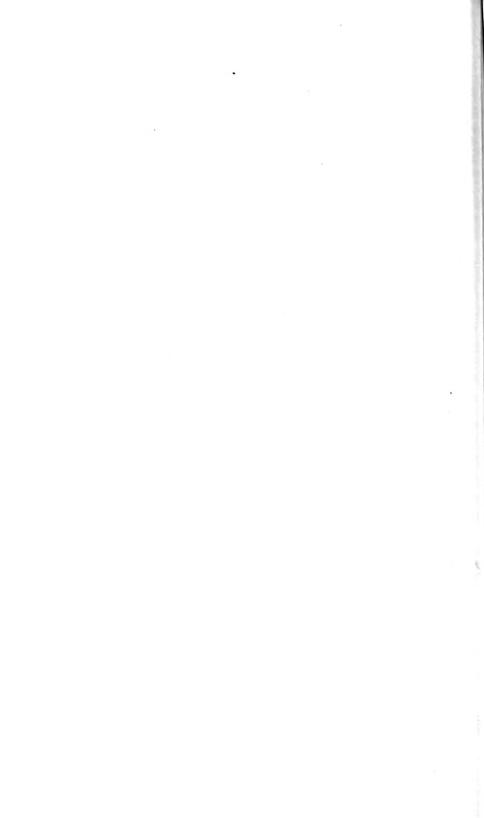
In 1920 the company had five plants located in Massachusetts and Connecticut. Its products were sold throughout the United States through whole-salers, who in turn handled the retail trade. It was found that the mops were sold chiefly through hardware and house-furnishing stores, seldom if ever through grocery stores. The new sales executive of the company asserts that the grocery stores furnish a vastly greater outlet than the other types of stores and that the company should undertake an intensive campaign in a large city, with a view to developing this market. It is also proposed that the mops be standardized, trade-marked, and wrapped in packages that can be put on display shelves.

Questions

- 1. How should the intensive campaign be planned?
- 2. How is the work of salesmen to be correlated with advertising?

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PART IV SALES POLICIES



PART IV

SALES POLICIES

OUTLINE

A. Policies Relating to Product.

- Guarantees of product as to quality, durability, and service rendered.
- Selection of products for manufacture; full line versus specialties.
- 3. Policies as to change of style; new products.
- 4. Policy as to service; repair parts, repair service.
- 5. Brand policy; private brands versus manufacturer's brands; "family" brands.

B. Policies Regarding Methods of Distribution.

- 1. Exclusive dealer policy.
- 2. Policy toward newer types of middlemen: mailorder houses, chain stores, self-service stores, cooperative jobbers.
- 3. Policy toward wholesale consumers; contract sales.
- 4. Sales contracts.

C. Price Policies.

- 1. Price levels.
 - (a) Zone prices; geographical equalization.
 - (b) Delivery or f. o. b. prices.
- 2. Cash discounts.
- 3. Uniformity of selling prices; one-price policy.
- 4. Trade discounts.
- 5. Quantity discounts.
- 6. Maintenance of resale prices.
- 7. Guarantee against price decline.
- 8. Drop shipment policy.
- 9. Price policy in sales for future delivery.

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D. Crepit Policy

1. Length of credit terms.

Methods of extending credits: acceptance, open account, sight draft, sales note, etc.

3. Collection policy; collections and outstandings.

E. ADVERTISING POLICY.

- 1. Size of appropriation.
- 2. Appeals.
- 3. Media.

F. Policies Toward Customers.

- 1. Returned goods.
- 2. Cancelations.
- 3. Claims and allowances.
- Cooperation with salesmen in selling goods; dealer helps.

G. Policy Toward Competitors.

GENERAL QUESTIONS*

A. Policies Relating to Product.

Shall a manufacturer or jobber guarantee the products he sells as to quality, durability or service rendered? If so, should this take the form of a written guarantee? Is the sales advantage from an unqualified guarantee sufficient to offset the dangers of abuse? What should be the policy of the manufacturer with reference to goods returned under an indefinite guarantee?

What policies should a manufacturer adopt with reference to the selection of products for manufacture? Is it advisable for a manufacturer to add products in order to complete his line, either by manufacturing them himself or by purchase? Will the addition of such products tend to nullify the advantage of specialization?

What policy should a manufacturer adopt as to change of style? Should he be conservative, attempt to keep up to the minute, or produce models or styles which change little? What should be the policy of the company toward new products; toward products the demand for which is a result of fad?

What should be the policy of a company with regard to service in connection with its product, particularly where it happens to be a complicated product? Should repair service policy be made a selling point?

What should be the policy of the manufacturer toward identification of his product? Should be establish his own brand or make his goods under brands designated by buyers—so-called "private brands"? What should be the attitude of the wholesaler toward private brands?

What should be the attitude of the manufacturer of established brands toward private brands of competing goods? Under what conditions is it advisable to adopt a "blanket brand"? Is it good policy to use more than one brand for the same quality of product? Should the same brand be used for different qualities?

B. Policies Regarding Methods of Distribution.

What policy should be adopted with reference to dealing through middlemen? Should the manufacturer sell through exclusive jobbers or should he establish exclusive dealer relations with retailers? What should be the policy (a) of the manufacturer (b) of the wholesaler toward mail-order houses, chain stores, self-service stores, cooperative stores, cooperative jobbers?

If the exclusive dealer policy is adopted, should contracts be used?

C. Price Policies.

How should goods be priced—at, above, or below market prices?

Should prices be quoted to include delivery or should they be quoted f. o. b. plant? To what extent should prices quoted provide for geographical equalization?

What policies should be adopted toward cash discounts? Should selling prices be uniform for all buyers, regardless of credit standing? Should salesmen be allowed to cut prices in order to meet competition? Should prices be quoted net or with trade discounts? On what basis should jobbers' prices be granted? Should a distinction be made between jobbers' and retailers' prices on the same quantity of purchase? Is it wise to give jobbers' discounts to large resale purchasers such as department stores and chain stores?

What should be the attitude of the manufacturer toward identifying goods? Toward fixation of resale prices? Should be adopt a policy of refusing to sell to price cutters?

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What are the advantages and disadvantages of guarantee against price decline from the view-point of (a) the manufacturer (b) the wholesaler? Can a manufacturer refuse to guarantee prices against decline if the practice is general in his trade? What policy should be adopted toward drop shipments?

D. CREDIT POLICY.

What should be the policy of an enterprise with regard to extension of credit? Should the general terms of the trade be adopted? What policy is to be chosen with regard to trade acceptances?

What should be the policy of the sales department with regard to the handling of collections?

E. Advertising Policy.

What should be the policy of the company toward advertising? What policy with regard to fixing advertising appropriations is to be considered sound?

To whom should advertising appeal be made—to consumers or to middlemen? If the product is one used by other manufacturers, should advertising be directed toward the consumers of other manufacturers' products or indirectly to stimulate sales?

F. Policies Toward Customers.

How should the company deal with the returning of goods by buyers? Under what conditions are cancelations to be accepted, if at all?

Are claims and allowances to be made on a liberal basis on the assumption that "the customer is always right"? If not, what other basis is to be adopted?

G. POLICY TOWARD COMPETITORS.

What policy is to be adopted toward competitors? Is cooperation with competitors within legitimate fields to be encouraged or discouraged?

*Consult J. G. Frederick, Modern Salesmanagement, D. Appleton & Company; C. S. Duncan, Marketing: Its Problems and Methods, D. Appleton & Company, Chapter XVII; A. W. Shaw Company, Organizing for Increased Sales, Chapters VI, VIII and IX; Henry S. Bunting, Added Lines in Modern Merchandising; R. P. Ettinger and D. E. Golieb, Credits and Collections, Prentice-Hall, Inc.; Curtis Publishing Company, Selling Forces; Tipper, Hollingworth, Hotchkiss and Parsons, Ad-

PROBLEM 116

GUARANTEE AND REPLACEMENT POLICY

The Garrison Tool Company, of Cincinnati, Ohio, is one of the large manufacturers of saws, files and builders' tools, an old, established concern, producing a quality product. Almost since the beginning, the policy of the company has been to include in all its catalogs, and in its advertising and statements to the trade, a general guarantee against defect in material and workmanship of its product. Further, the statement that "This Article Carries Garrison's Fullest Guarantee" appears on many articles.

The management in recent years has often been confronted with the problem of administering this guarantee in the case of hand saws. The proper functioning of a saw is largely dependent upon its sharpening, and especially upon its setting. Often those who are supposed to be trained mechanics cannot correctly sharpen and set the saws with which they work.

From time to time the management has received saws from a wholesaler asking replacement. The wholesaler has, in turn, made replacement for a retailer who has exchanged the saw for a consumer upon the strength of the company's guarantee policy. Often these returned saws have shown that they have received years of use, or excessive abuse. In almost all cases sharpening and setting by a factory mechanic proves that the saws are not defective. In 1919, the management considered revision of its guarantee

vertising: Its Principles and Practice, Ronald Press Company; P. T. Cherington Advertising as a Business Force, Doubleday, Page & Company. Relative to price fixing and price policy, general works upon economics by F. W. Taussig, Richard Ely, Thomas N. Carver, Alfred Marshall and others may be consulted to secure the economic basis of prices and price fixing. Price maintenance is treated in the doctoral dissertation of C. T. Murchison, Resale Price Maintenance, Columbia University; by F. W. Taussig in the American Economic Review; Paul W. Ivey, Elements of Marketing, Ronald Press Company; H. R. Tosdal, American Economic Review, March and June, 1918, and Quarterly Journal of Economics, November, 1915. A partial list of the numerous articles in Printers' Ink, Sales Management, Sales Manager, System, Advertising and Schling and other periodicals is given in the bibliography.

policy to avoid the abuses and expense to which the company was being subjected.

Questions

- 1. Should the company's guarantee on saws have been made more definite?
- 2. What degree of publicity should be given the guarantee?
- 3. What policy should have been adopted of administering the guarantee and in making replacements?

Problem 117 Guarantee Policy

The Giller Watch Company, of Orange, New Jersey, is a large manufacturer of low-priced watches. In the distribution of its product the company uses selected jobbers, but sells direct to the retailer upon the same terms as does the jobber. The watches are sold through many types of outlet, such as jewelry stores, hardware stores, drug stores, general stores, stationery stores and novelty stores.

It has always been the policy of the company to give a specific guarantee upon its product. At one time it was administered through the dealers, but several years ago the company changed its policy. The following statement pasted in the back of each watch briefly explains the method:

This Giller watch is guaranteed to keep good time for one year, and, if, without misuse, it fails to do so, will be repaired by us free; mainsprings, cleaning, hands, and dials excepted. Wrap carefully, enclose 10 cents for booking, packing, postage, and insurance. Put your name and address on the package. Valid only if dated and signed by the dealer when sold.

(Space for date of sale and signature of dealer)

The Giller Watch Company Orange, New Jersey

After the first year, or if the watch has been misused, return it to us and we will inform you what the repairs will cost. This watch is not exchangeable.

To handle repairs on watches and make exchanges, a service department was set up. Many difficulties. however, developed. There were frequent misunderstandings with the consumer. Frequently watches showed abuse, and when the company made a charge for repairs, the customer resented it. In other cases, dates of sale were not filled in by dealers and inquiries regarding this matter caused hard feeling. The length of time necessary for exchange caused an inconvenience to which many buyers made strenuous objection. Many dealers, in order to maintain the good will of customers, exchanged watches for them and then called upon the company for adjustment. Misunderstandings thus developed both with dealers and consumers. Late in 1921 the management took under consideration a change in guarantee policy.

Question

What policy should have been adopted?

Problem 118

GUARANTEE OF PRODUCT

A candy manufacturer making a quality line of chocolates and bonbons has received numerous requests from retailers for guarantee against defective or stale goods. The opinions of several manufacturers as to such guarantees are expressed in Advertising and Selling.*

The Huyler Company uses an unqualified guarantee; they say, "If you find that candies you buy of our make do not come up to your fullest expectation for any reason, the goods will be replaced." The following statement by their sales manager emphasizes this:

We make delicate candy subject to quick damage if subjected to any unusual treatment. Every consumer is entitled to receive a perfect box of candy, no matter where or when he buys it. Hence, we consider our guarantee slip an essential step in our effort to wholly please every person who buys Huyler's candies. We have no memory of this guarantee ever having been abused by retailers or ever having been taken advantage of by consumers. Letters we have received from consumers reporting the receipt of damaged candy have invariably been most fair in tone and have been of great assistance to us in correcting the trouble responsible for the unsatisfactory condition of the candy. Returns by reason of the guarantee slip or for any other reason have been so small as to be wholly inconsequential.

Along the same line, the Belle Mead Sweets, Inc., of Trenton, N. J., gives an unqualified guarantee, saying further:

We believe this is the greatest form of advertising we have, for usually we send a higher-priced package or a package of larger size to the complainant, writing him a letter relieving the dealer of all responsibility and taking the opportunity to write an explanation to him, telling of the purity and cleanliness of our factory. We know that in almost every case we make a stronger customer for Belle Mead Sweets and even for the store in which he made the purchase.

Stephen H. Whitman & Son, of Philadelphia, have the following policy:

^{*}January 10, 1920.

We place in all of our standard packages a guarantee which we desire to make as broad as possible. This eard is enclosed in millions of packages every year, and I would estimate that we do not receive two dozen complaints from the public in the year. We feature this guarantee in our magazine advertising from time to time, and we think it is absolutely essential to protect our products in this way. If a box of chocolates is exposed to the direct sun in shipment or even in the dealer's store for even a short time in hot weather, it will certainly deteriorate and will not be worth the price the consumer has to pay. Since we cannot guarantee against deterioration, the best we can do is to guarantee against loss. We will cheerfully mail a fresh package in place of the one complained of and be glad of the opportunity.

Question

Is the experience of the above firms to be taken as sufficient guide for the new candy manufacturer in determining a policy?

PROBLEM 119

PRODUCT GHARANTEE

In the sale of rubber tires for automobiles, it has been customary for prominent manufacturers to give a guarantee varying to some extent with the company and with the price paid for the tire. While because of the improvements in manufacture of tires the guaranteed mileage has been increased, there has developed a very keen opposition among manufacturers to selling automobile tires with mileage guarantees. One well-known manufacturer has gone so far as to withdraw entirely his mileage guarantee and give a simple guarantee of satisfaction, much as would be given by any manufacturer who stood behind his product. Companies

attempting to maintain mileage guarantees always find great difficulty in making adjustments, and the expense of exchanges and adjustments is very considerable. Because of competition, adjustments have been made very leniently. The dealer hesitates to antagonize the consumer by refusing to take his word for the amount of use, while the manufacturer hesitates in turn to antagonize the dealer by refusing to accept the adjustments made by the dealer with the consumer.

The De Pugh Rubber Company manufactures a medium-grade fibre tire, which it guarantees for 3.500 miles. Although a large proportion of tires give more service than this minimum, the company feels that a conservative policy must be followed in mileage guarantee. Nevertheless, it has felt that there has been abuse, that tires have been returned and exchanged which gave no evidence of defective workmanship on the part of the factory. The company is considering the adoption of a policy of not making a specific guarantee, but standing back of the goods inso-far as they fail to give service because of faults or defects in workmanship. Furthermore, they plan to make their stand known to the public through an advertising campaign, in which the statement will appear that the abuse of guarantee adds materially to costs, and therefore to prices charged for tires. cause the guarantee of this company will not be administered on a so-called false basis, it is expected that lower prices can be quoted.

Questions

1. Is the change in policy a sound one?

2. How would it affect the volume of sales?

Problem 120

POLICY AS TO QUALITY OF PRODUCT—UNION LABEL

The Mann Company, which manufactures shirts under a well-known brand, is an old, established firm with main offices in one of the New England cities. The company has always put its product upon a quality basis and has continually sought ways of improving its shirts. The company has seven factories, located in different New England towns, each of which produces a different type or grade of shirt. With one exception, all of the factories have from the beginning been conducted on an open-shop basis.

A few years ago the salesmen of the Mann Company insisted that the work shirt manufactured under the company's brand should bear the union label. They argued that sales of this shirt would be greatly increased thereby. Though the management was opposed to unionization of its factories, it finally submitted to the request and unionized the factory which makes the work shirts. In turn, the company bought from the union, at 1 cent apiece, labels which indicate to the trade that the product is union-made.

The change of the factory from the open shop to the closed shop meant no alterations in factory operation. The working conditions and the wages paid were already equal to those required by the union. It was simply a matter of having the employees join that organization.

The company operated for a year under the union arrangement with success. Sales of work shirts bearing the union label increased, though not to so large an extent as was anticipated. Relations with the union and with the employees were satisfactory. At the end of the year an officer of the union visited the president of the firm, explaining that objections to the Mann shirt bearing the union label had been raised in the New York market. These objections came in part from union employers in the New York district, and in part from New York operatives. The complaints were based on

the belief that the Mann Company was operating under an agreement with the union which gave the firm an advantage over the New York manufacturers. The latter asked that the same rules be applied to the Mann Company by the union as applied to them. These rules in part governed the method in which the shirts were manufactured, such as the manner of sewing a strengthening piece across the shoulders and the finishing of seams. The union representative stated that unless the president saw fit to make the changes in pattern required, the union would be compelled to remove the right to sew the union label on the Mann shirts. The management felt that the changes demanded would materially decrease the strength and wearing qualities of the shirts.

Question

Should the company comply with the union's demands?

PROBLEM 121 Quality of Product

The Hight & Sawyer Company was founded in 1854 as makers of highest-grade organs and has been making pianos since 1882. In 1908 the company failed because of inefficient factory supervision, lack of accurate cost figures, poor system of distribution, lack of uniformity in retail prices, instability of advertising policy, expensive attempt to market a patented device and lack of working capital.

The company found itself in a peculiar position in 1903. The name was known all over the world, but was associated with very fine high-priced organs. The pianos had been sold on this reputation until the dealer

and tuner influence had somewhat counteracted it. Their real merit was known to a very small group of those qualified to judge musical instruments. It was possible to improve quality at increased manufacturing costs, but even at prevailing costs the company was losing money. The agency of Hight & Sawyer Pianos was not sought after. It was not profitable to houses of the better class, since the public did not believe the pianos to be worth the price their cost and true merit demanded; and the retail prices were above those of "commercial" pianos. No mere published claims of merit were of much value, for all manufacturers use them irrespective of the real worth of their products.

The proportion of labor cost to total cost is very high. Steadiness of employment and stress on quality, instead of quantity production, are causes of slight labor turnover. The factory employs about 400 men. The work is done mainly at day wages; before the labor market became disorganized, the rates were higher than the prevailing rates.

Questions

- 1. In view of conditions then existing, would you build pianos to sell at a price, or would you continue to build them as fine as possible and base your price on cost, no matter how high that price might be?
- 2. If the latter course were adopted, what policies should be adopted as to advertising?

PROBLEM 122 STYLE POLICY

(a) In an article on the shoe trade, a prominent newspaper in the shoe manufacturing district made the following statement (May, 1921):

For some time the principal energies in the shoe and leather industries have been centering on women's footwar, to the practical exclusion of other classes of merchandise. The usual production of children's shoes continues, but there is little need of incentives through novelties of style and finish in order to sell such staples. In women's lines, dealers' efforts have been devoted to trying to get women to buy the new shoes at high prices, and so they have discounted the bargains and clearances of a year ago, by submitting such attractive designs that the 1920 goods seemed ancient and undesirable except when the wearer was indoors with her feet under the table. So the trade has been very busy and much interested in getting out new styles and attractive designs and marketing them as fast as possible to the waiting women.

Now the edict has gone out, "Put more style in men's shoes," and before long the modest men may find some striking examples of the cordwainer's art offered for their delectation, as the proper articles to have and to wear. The first lines to be enlarged will be the white buck shoes for summer, and these will be decorated and trimmed much as the novelties for the other sex. Brown trimmings and

pleasing brogues will be kept prominent.

Now that the trade, and more particularly the retailers of men's shoes, are thinking of giving greater attention to style in men's lines, a belief is growing which may bring the end to so much of the 'brogue' in the business. is necessarily a heavy type of shoe. Its appearance suggests that, even if the actual weight is not above the weight of any of the majority of patterns. It also is so strongly made that it wears slowly and retailers see that they do not sell so many pairs of shoes to a customer as they did before the brogue design was wished on them. So they are talking of lighter weight patterns, particularly for summer wear, and such an arrangement of men's styles as to provide marked distinction between the boots and shoes of each season, with a proper assortment of distinctive footwear for special occasions. That something is going to happen in men's footwear during the next few months is probable, and a better assortment will be offered by another season than has been the case for some time.

Question

1. What should be the policy with regard to style of the Mansur Shoe Company, having a daily capacity of 12,000 pairs of medium-grade men's shoes? The company has been accustomed to sell through whole-salers.

(b) The Pulsifer & Powers Company, manufacturers of men's medium-priced clothing, has been in business for 75 years. During the past 10 years, in spite of considerable expansion in production facilities, they have always been oversold; that is, they have never been able to fill orders for customers up to 100 per cent.

Some years ago the company, impressed with the idea that it would be desirable to eliminate as far as possible the seasonal fluctuation reflected in the fact that traveling salesmen were on the road twice a year for a period of eight to ten weeks, considered two plans. The first was the establishment of branch offices in several cities from which salesmen should take four. instead of two, trips a year. This was abandoned as involving excessive risk. The other plan was to emphasize production of three or four conservative patterns or styles in popular fabrics, such as blue serge. These suits were to be made in large quantities and sold during the season when ordinarily little buying and little manufacturing could be done. This plan was put into practice four years ago; and, at the present time, one-third of the total production consists of four numbers. The problem is now whether to limit the number of sales on these numbers or to allow them to climb up to 60° , 65° , or 75° . The arguments in favor are that they would bring about some lowering in the cost of manufacture and ordinarily somewhat greater continuity of production. The arguments against are that these particular patterns, which are classed as staples, may in specific years be in little demand and that years have been known in which fancies were sold almost exclusively.

Questions

1. Would it be possible for a concern manufacturing women's suits and cloaks, which are widely advertised, to adopt a similar plan for stabilizing production?

2. If so, how should the styles be selected?

PROBLEM 123

Policy as to Complete Line

The Moulden Company manufactures a complete line of filing and indexing devices for business concerns and other institutions requiring such equipment. The company has established its own stores in several important cities and has made arrangements in others for representation by prominent office equipment dealers. The company specializes in filing equipment; and, unlike its competitor, the Dinsmore Company, does not handle desks, chairs, or other office equipment.

The problem has arisen as to whether, particularly in their own stores and later for general distribution, they should add a line of desks, chairs and other office equipment purchased from other manufacturers to secure advantage of a complete line. The Moulden Company knows that it has been more successful in selling filing equipment than competitors who handle full lines of office furniture, but it is not known whether this success is due to specialization, which would be lost if they should add a new line of furniture, or simply to better merchandising methods.

Question What policy should be adopted?

PROBLEM 124 FULL-LINE POLICY

The Federal Trade Commission, in its inquiry into the farm machinery trade, says that there is a noticeable development toward full-line production among manufacturers of farm machinery. Tractor companies engaged in the manufacture of plows to be used with the tractors are consolidated with plants manufacturing Examples of such consolidations are purchase of the Jamesville Machine Company by the General Motors Company, the Moline Plow Company by Willys-Overland Company, Arling & Orendorff and the Chattanooga Plow Company by the International Harvester Company. The International Harvester is thereby made a full-line house, having manufactured previously practically every other type of farm equip-The Federal Trade Commission investigation does not demonstrate any clear advantage on the basis of selling expense, for full-line concerns.

In other lines, as well, there is frequently the problem of adding new lines. A concern manufacturing tools and certain types of equipment to be used by textile mills is tempted to add a line of mill supplies, partly of its own manufacture and partly purchased. Assuming that sales are sufficiently large to fully occupy present sales and productive capacity with a limited line:

Questions

- 1. What advantages are secured by increasing the line?
- 2. What sales advantages may be secured by the Cornell Motor Car Company through consolidation with a tractor concern?

Problem 125 Addition of New Line

(a) A manufacturing jeweler, located in New York, has developed a considerable trade in medium- and lowpriced jewelry, which he has distributed direct to the The company has never done any retail trade. advertising, except through trade journals. Consequently, it is unknown except to retailers and wholesalers in iewelry circles. It is proposed that the company add to its medium- and low-priced line a small line of pearl necklaces of high quality, selling at from \$50 to \$300. These pearl necklaces are to be advertised extensively and emphasis is to be placed upon quality. The media used are to be those appealing to high-class The sales manager, who advocates the addition of this line, asserts that advertisement of these high-grade pearls will give their line of jewelry a prestige which it does not now possess; furthermore, that whether the sale of pearl necklaces is in itself profitable or not, the advantages will be reflected in greater sales of the other lines of the company.

Question

As a member of the board of directors, would you approve the addition of this line and the advertising appropriation necessary?

(b) By means of advertising and traveling salesmen, a company which publishes six popular magazines, one appealing to the motorist, another a ladies' journal, the others of the popular fiction type, sells its product to wholesalers in the larger communities, to retailers direct in the smaller. It is suggested that the company undertake the distribution of package confectionery, particularly half-pound and one-pound boxes of chocolates and bonbons, and fruit tablets and mints in 5-cent packages.

Question

What are the arguments for and against the addition of this line?

PROBLEM 126 Applied New Lines

Should a shoe manufacturer, who has advertised a scientifically fitted and constructed shoe catering particularly to infants' and children's trade, add a line of hosiery which is to be advertised and sold much as the shoes have been advertised and sold?

It is very unusual for a shoe company to undertake the sale of hosiery. In this particular case, it has been known by the company for years that the purpose of the scientifically designed shoe can be in a large measure defeated by the use of an ill-fitting stocking in connection with it.

Questions

- 1. If the line of hosiery is added, what should be the attitude of the sales manager of the company toward styles and materials?
- 2. How should it go about determining what styles, materials and colors to be produced?

PROBLEM 127

Complete Line in Manufacturers' Retail Stores

The Marvelle Shoe Company manufactures a line of women's and men's dress-shoes. It manufactures only welt shoes, none with turned soles. The company distributes a considerable portion of its product through its own stores. On the basis of its own manufactures, the retail stores cannot offer a full assortment of shoes to meet the demands of all classes of buyers. Hence it has been necessary for them to limit the establishment of their stores to large cities, where there is a sufficiently large demand for their shoes. The general policy is to put a store in no city of less than 150,000 people, although stores have in a few cases been located in western territory in smaller cities which are good trading centers. A problem arises in connection with these stores.

Questions

- 1. Would it be possible for the company to supplement its own brand of shoes with others, in order to afford styles to meet a wider demand?
- 2. At the present time, the company buys some turned-sole shoes with its own trade-mark from other manufacturers. Would it be advisable for the company to go farther and put in a complete line?

Problem 128 Simplification*

During the war, the necessity of conserving raw materials and labor found expression in the active encouragement given to simplification of manufactures as a means of effecting scientific and industrial economies. The Conservation Division of the War Industries Board formulated a large number of programs of conservation for specific industries. In the main, these consisted of reduction in the number of styles and varieties, sizes, colors and finishes of products, elimination of styles and varieties involving uneconomical use of material, elimination of unnecessary features or accessories and standardization of materials and parts to secure greatest economy. There were many conspicuous instances in the reduction of styles.

On the basis of agreement with the business men in the industry, the number of colors of men's hats was reduced to 9. It is stated that several manufacturers previously had lines of hats of approximately 100 colors. Rubber footwear manufacturers agreed to the elimination of some 5,500 styles, under a program of economy in packing and shipping. Among agricultural implement manufacturers, the sizes and types of steel plows were reduced from 312 to 76; disk harrows from 539 to 38; buggy-springs from over 120 to 1. In the pocket-knife industry the number of basic patterns was reduced from 300 to 45, with the variations and catalog numbers reduced from 6.000 to a maximum of 100 for each manufacturer. About 80%, or 4,252 items, were eliminated by the standardization program in the stamped metal industry, manufacturing enameled ware, tin ware, and galvanized ware.

From the view-point of the plant manager, the advantage of such simplification is very clear in planning of production; in production itself and its control, distinct advantages are secured through a smaller

^{*}Melvin T. Copeland, in *Bulletin of the Taylor Society*, April, 1921. Also series of articles upon "Simplification," in Factory, April, May, June, 1921.

number of products in the line. The gains in quality of product, through decrease in idle machine time and variety of tools, jigs, and fixtures, are easily seen; there is an increase in quantity, while cost is decreased through smaller inventories and larger runs of product without change of machinery. After the war, sales managers in the industries affected by conservation programs were generally confronted with the question of future policy as to the standardized production carried on during the war.

(a) Before the war, it was the custom of the Deering Company to offer customers 20 models of sack suit. These models were offered in the various suitings purchased each year by the piece-goods buyers. most seasons, the number of different suitings was in excess of 1.000. At the same time, each customer was offered the choice of lining construction. The number of his choices was, therefore, very large. In addition to the 20 regular models, the company offered to make special models for customers and actually made 15 customers' specials, but on these there was no model of which the sales amounted to more than .5% of total sales. As a matter of fact, the great bulk—practically 90% of the sales of the company—is concentrated on 6 or 7 models. Toward the close of the war, the company seriously considered eliminating all but the 10 best selling of its regular models.

Question

What should be the attitude of the sales manager toward this simplification?

⁽b) The Bates Piano Company, producing about 800 pianos a year, supplies these in seven styles and sizes of cases. It is estimated that, if standard sizes could be introduced, a 10°_{C} saving could be made.

Question

Would the 10% saving, if divided between manufacturer and dealer, be sufficient reason for reducing the number of sizes of cases to two?

(c) A company manufacturing pipes, valves and pipe fittings has a list of items amounting to some 23,000. Of these, the bulk of trade is conducted in less than 1,000.

Question

What considerations should determine the company's policy with respect to elimination of styles and products?

PROBLEM 129

ELIMINATION OF SIZES AND STYLES

The Stone Company turns out a variety of products, the chief one of which is cotton blankets. The present facilities enable it to turn our approximately five million pairs a year, which comprise about 80% of the value of the total output of the mill. The blankets are made in four grades, which we will call A, B, C, and D and come in various sizes and patterns. The following list will show under each grade the sizes, weights, number of patterns, and the 1920 orders for each size

GRADE A

		GR	ADE	ιA	
Plain	60 Patterns			1920 Orders	
60x76	3	lbs.	per	pair	2380 cases
64x76	$3\frac{1}{4}$	"	- "	• (5052 "
60x80	$3\frac{1}{8}$	"	"	"	382 "
66x80	$3\frac{1}{2}$	"	"	"	5 7 92 "
66x84	$35\sqrt{5}$	"	"	"	390 "
72x80	$3\frac{3}{4}$	"	"	"	1896 "
72x84	4	"	"	"	1784 "

64x76

Plaid	52 Patterns	1920 Orders
66x80	3 4/10 lbs. per pair	3862 cases
66x80	33,4 " " "	15648 "
72x84	412 " " "	3592 "
	GRADE B	
Plain	58 Patterns	1920 Orders
45x72	1^{1}_{2} — lbs. per pair	1492 cases
50x72	17. " " "	2400 "
54x74	2 " " "	4412 "
66x76	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	5902 "
64x76	23	8818 "
64x80	$\frac{2^{5}2}{2^{5}8}$ " " "	3464 "
66x80	$egin{array}{cccccccccccccccccccccccccccccccccccc$	3854 "
72x80	3 " " "	4560 "
72x84	31, " " "	1066 "
Plaid	32 Patterns	1920 Orders
60x76	2^{5}_{8} lbs. per pair	3922 cases
64x76	27 " " " " " "	9254 "
72x80	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	2346 "
	GRADE C	
	16 Patterns	1920 Orders
40.01		
66x84	$\frac{2^3}{3}$ Ubs. per single	982 cases
72x84	ð " " "	552 "
	GRADE D	
	2 Patterns	1920 Orders
	2 Fatterns	1920 Orders

The blankets are all made of pure cotton, but differ considerably in quality, and in each grade there is a difference between the plains and plaids. This is due to the fact that a heavier filling is used in the latter in order to bring out the colors better. For this reason and since it is somewhat more expensive to make them, the plaids bring a higher price than the plains. The Grade A blankets are not only considerably heavier than the Grade B product, but they are much better made, have a better finish and therefore command a good deal higher price. Grade C is a very heavy blanket made

4 lbs, per pair

3032 cases

on the same machinery and going through the same processes as Grade A, but owing to its weight it is made only in singles. Grade D, though very similar to Grade A, has a different filling and its general quality is lower. It is, therefore, between Grades A and B in price.

The plain blankets are made in white, grey or tan, with borders of varied stripes and colors, but with pink and blue predominating. The plaids come in several colors and different patterns, so that a combination of the two makes a considerable variety.

As shown by the 1920 orders, Grade B forms a majority of the output. In Grades A and D, there are only 50 pairs, and in Grade C 50 singles, to the case. In Grade B the two smallest sizes are packed 100 pairs and the remainder 80 pairs to the case. When these factors are considered, the percentage of output of each grade to the total as shown here would be approximately as follows:

Grade A	Grade B	Grade C 1%
Plain 15%	Plain 41%	Grade D 2%
Plaid 19%	Plain 21%	7.0

The number of cases as shown makes up considerably less than five million pairs, but the export orders and assorted cases for the domestic trade are not included. The latter would not in any way change the proportion of each size to the total, while the general problem is not affected by the export business of the company.

Grade A blankets are sold under a registered trademark bearing the name of the mill and the trade-name on a label, which is stitched on each pair of blankets. The ticket on each pair also bears the trade-name. Grade B plaids and Grade C have more recently been trade-marked, and an application for registration has been made. These are both new to the line this year, which explains why the trade name-has not yet been registered. The tickets on these blankets are similar to the others, retaining the trade-name and the name of the mill. Grade Bplains and Grade D are not trade-

marked. In the former, the blankets may be given either a mill ticket or the ticket of the jobber or retailer with or without the mill's name. In some instances the ticket may have read "Manufactured especially for......" with the name of the jobber.

The highest quality, Grade A, forming 32% of the output, are widely advertised. The next grade, B, meets with very keen competition. Grade D is the quality in which there is the greatest competition; this grade comes between A and B in quality. Grade C in single blankets is the same quality as A. The sizes of blankets have been governed in a general way by the sizes of beds used. The three general sizes—single, three-quarters, and double—have in the past been subjected to many variations, but 90% of factory-made beds are in the three standard sizes. Although it might appear that there should be only three sizes of blankets, the list given shows that there are 13 sizes put out by the mill, while still other sizes are put out by other companies.

The large number of sizes is due partly to the difference in opinions of blanket manufacturers as to the proper size of blankets for one of the standard-size beds and partly to the competition of manufacturers, which led some to cut sizes in order to be able to make lower quotations. The result was that a large number of sizes was adopted by all manufacturers as a

concession to competition.

Patterns of blankets change more rapidly than do sizes. The plain blankets are made in three colors—white, grey and tan—for which the demand varies in different sections of the country. The conventional colors for borders are pink and blue, although several others are used, stripes and borders varying considerably in width and number each year. There are some that last as long as three years, but it can safely be said that in any season few, if any, of the designs sold for years earlier are changed. In the plaid blankets there are practically no conventions upon which the patterns are based. Colors change each year.

Question

Is it possible for the Stone Company to reduce the number of sizes and patterns and still be able to sell their output?

PROBLEM 130 SERVICE POLICY

The Welch Motors Company, manufacturing a car in the \$1,500 to \$2,500 class, makes the following statement concerning its service policy as applied to distributors and dealers:

OBLIGATIONS OF THE FACTORY

(1) To produce a motor car as perfect in design, work-manship and material as it is possible to build for the purpose for which it is intended.

(2) To maintain at all times, subject to the call of its distributors, a complete stock of service repair parts.

(3) To fill all parts orders carefully and make shipments promptly.

(4) To insist on Welch distributors keeping a careful record of their parts stock and reporting amount of such stock on hand monthly.

(5) To insist that each Welch distributor keep in his employ at all times competent service men.

(6) To furnish proper instruction to Welch distributors as to the proper care and maintenance of cars.

In assuming the obligation of a manufacturer, the Welch Motors Company has provided against any contingency that might arise by maintaining a stock of repair parts that represent an investment in excess of a million dollars. Years of experience have made this factory realize the necessity for having these parts available at all times during the normal useful life of a car, and provisions have been made in the way of mechanical equipment, machinery, tools, dies, jigs, etc., all of which are retained in stock for a period in excess of any reasonable demand for service parts.

A service advantage which cannot be emphasized too strongly is that Welch cars are built practically complete in our own factory. This obviously makes it possible to give better service than if we were to purchase units from other manufacturers for assembly and be governed in our ability to give service by our ability to obtain service from a large number of outside parts makers.

In the purchase of such equipment as is necessary to obtain through outside sources— such as an ignition apparatus, carburetors, steering devices, starting and lighting equipment, batteries, etc.— only concerns of national repute, whose finances and standing in the industry indicate permanency, have been considered. The service principles of such concerns are in accord with the Welch service policy.

Realizing that service is a most important element in the building up of a successful motor car business, the Welch Motors Company expects its distributors and dealers to adhere strictly to this service policy, and the value of the distributor or dealer to the Welch Motors Company will depend to a very large extent upon his fulfilling these service obligations.

OBLIGATIONS OF THE DISTRIBUTOR

- (1) To maintain facilities for rendering prompt and efficient service at all times.
- (2) To maintain at all times a sufficient stock of parts to fill promptly at least 90% of all parts orders received from his territory from his stock.
- (3) To convey to the dealer or purchaser information and instruction as furnished by the manufacturer relative to the maintenance and service of Welch cars.
- (4) To have in his employ at all times a sufficient number of expert mechanics, not only properly to instruct his dealers in the matter of service and service adjustment, but to assist them in rendering necessary service.
- (5) To keep in touch with all Welch ears sold in his territory, either directly or through his dealers, to insure their satisfactory performance, and to see that proper service is rendered on each and every car in his territory.
- (6) To make a monthly report to the manufacturer of his parts stock, together with a statement showing the number of parts orders received and the percentage filled from his stock.
- (7) To report all unusual service difficulties to the manufacturer.

(8) To put into effect a standardized service policy which, by means of periodical inspection or otherwise as conditions throughout his territory may warrant, will maintain the good name of the product and insure satisfactory territory development.

(9) In cases where the distributor sells cars at retail, he shall assume the service obligation of the dealer in

addition to those of the distributor.

The distributor is a most important factor in the success of the Welch Motors Company. He is the medium through which our product reaches the hands of the dealer. The distributor, therefore, is the medium upon whom we must depend for a complete and thorough service organization throughout his territory.

It is our intention to build Welch cars just as well as we can build them and to improve them from time to time. There are times, however, when we shall undoubtedly experience troubles in our product through faulty material or inspection, which may necessitate a certain amount of expert work in connection with cars already in the territory. When this condition does arise, we shall expect the distributor to be prepared, through an efficient service department, to take care of this trouble without assistance from the factory except in cases where a chronic condition arises on a large number of cars of a current model. In this case, the distributor will notify the factory.

The distributor must consider that this service is one of his functions as a distributor, and we do not expect the distributor to pass this expense on to the dealer. This is one of the very important considerations in the granting of the Welch franchise to Welch distributors.

It is the distributor's duty, and we shall insist that each distributor fulfil his obligation in the matter of parts stock, and maintain in his employ mechanics and service men with proper ability to give assistance in all service matters to his dealers. This service, generally speaking, shall be free service, and he shall have his service men almost constantly on the road to see that his dealers are properly posted and that their troubles are promptly cared for.

The distributor who does not carry his part of the manufacturing burden in the manner outlined herein fails in one of the most important duties of the distributor.

OBLIGATIONS OF THE DEALER

- (1) To maintain proper facilities for rendering prompt and efficient service at all times.
- (2) To maintain an adequate stock of parts to take care of the immediate demands of his territory, which stock of

parts shall be repleuished as needed out of the stock carried by the distributor.

- (3) To maintain a well-operated shop, having competent mechanics and adequate equipment for all service requirements.
- (4) To inspect thoroughly and adjust all cars before delivery, and at time of delivery properly instruct the purchaser with reference to the care, operation and maintenance.
- (5) It is very important that the purchaser be given a most thorough instruction in the matter of lubrication as outlined in the Welch Instruction Book.
- (6) It is not the intention that the dealer furnish service without cost to the owner, except when in his judgment the installation of defective parts, as covered by the manufacturer's warranty, shall be handled gratis.
- (7) It is the duty of the dealer to keep in constant touch with the performance and condition of all Welch cars sold by him, this by means of periodical inspection or some other method that will insure the cars' continued efficiency and satisfactory performance. This is absolutely necessary to maintain the good name of the Welch product and reflect credit upon the entire organization.
- It is expected that the dealer, realizing that proper service is necessary to the future development of his business, will cooperate with the service policies as defined by the manufacturer and distributor, with a view of maintaining Welch cars in constant operation at the least possible expense to the owner. Through courteous attention and a friendly attitude on the part of the dealer's entire organization, the owner should be made to realize that Welch cars have a home—that they come from somewhere and that someone has a real interest in them. This is a part of Welch service.

OBLIGATIONS OF THE OWNER

- (1) The value of Welch service to the owner and the ability of Welch distributors and dealers to give efficient service depend almost entirely upon the cooperation of the owner and the driver with the dealer.
- (2) Instruction, service and repairs should be secured from the Welch dealer organization wherever this is possible, since Welch dealers are familiar with Welch passenger-car construction in every detail and are better equipped to handle this.

The Chicago distributor of this company has had a great deal of difficulty in rendering the type of service desired in order to increase the sale of cars in his vicinity. Consequently, he has introduced a new plan based partly upon the experience of two other auto-This consisted of installing a concerns system whereby purchasers of cars could, for the sum of \$5, have the car completely and carefully inspected at the end of each 1.000 miles of driving; at this time, a full statement would be made as to any adjustments necessary that entailed more than a small amount of time, so that in effect the car owner at the end of each 1.000 miles of driving might have a complete statement of the condition of his purchase. It was expected that a considerable saving would be effected for the owner, through early detection of lack of adjustment which later would necessitate repair or replacement of parts. Furthermore, the possibility of making the slight adjustments necessary for the smooth running of the car would tend to increase friendliness of purchasers toward the company and its product.

The second part of the service plan was to have a standard labor price for each of the more common repair operations; in fact, for all operations which were not of a highly unusual nature. With the standard list of cost for repairs, it would be possible to tell each owner desiring service the precise cost of the repairs or adjustments necessary, so that there would be no misunderstanding and no tendency for mechanics to use more time than necessary for the performance of particular tasks. The plan seems to have worked out well for the Chicago distributor.

The sales and service managers of the manufacturing company in Detroit have observed very carefully the operation of the plan in Chicago and are prepared to recommend it to all distributors.

Question

Should the company make adoption of this plan a condition upon which agencies are to be continued?

PROBLEM 131

Sames Pourcy Manufacturers' Reading

The National Association of Canners, comprising canners from all parts of the United States packing vegetables and fruits of all qualities, has decided upon a large advertising campaign. As part of this campaign and as a means of standardizing qualities, an inspection system was devised whereby members willing to pay the nominal cost of such inspection could have their products certified and could use a sanitary label and seal. This sanitary seal was to be featured in the advertising, and consumers were to be admonished to use no canned goods except those which bore the inspection seal used by the Canners' Association.

A very large proportion of canned goods produced in the United States is sold through brokerage connections and through jobbers. Wholesale grocers are. therefore, almost universally large dealers in canned goods and usually the only ones with whom the average dealer comes in contact. The National Association of Canners has asked the wholesale grocers to adopt a resolution urging all the canners from whom they buy

goods to use this seal.

Question

What attitude should the Safford Wholesale Grocery Company adopt toward this resolution?

PROBLEM 132 PRIVATE BRANDS

The officers of Langdon & Wells, Inc., a firm of wholesale grocers, are concerned with the necessity of deciding upon a policy with reference to trade-marked goods. The concern has capital and resources amounting to \$1,000,000 and is in a position to make the necessary arrangements to secure private brands upon canned goods, cereals, and a number of other lines which it must handle. They are familiar with many of the arguments for private brands; one of the board of directors (a wholesale grocer of long experience) states that he has always been strong for private brands, knowing their full value and worth to the wholesale grocer. Nevertheless, he brings up the question as to whether there is a field in which private labels do more harm than good; and if, in invading such a field, the jobbers are gratifying their own pride while losing much more than they gain.

Questions

- 1. What advice should be given to the firm?
- 2. Are there lines in which private brands are clearly advantageous?

PROBLEM 133

Trade-Marks for Different Qualities of the Same Product

The California Fruit Growers' Association has, through its merchandising and advertising campaign, been successful in selling at good prices the best grade of fruit grown by its members, under the brand "Sunkist."

One of the difficulties which has arisen out of this development is that the market for second-grade fruit commonly known as "choice" has become smaller and the organization has found it difficult to secure an outlet for its production of this grade. A report of the board of directors contains the following statements, advocating use of "Sunkist" for "Choice," as well as best grades:

There are certain elementary factors concerning the California citrus business and our advertising which should always be borne in mind:

- 1. We are obliged to sell the fruit as grown, having no control over grades sizes etc.
- 2. Probably one-third of our fruit is below Extra Choice grade.
- 3. The lower grades are more difficult to sell than the higher.
- 4. The proposition is not to mix the grades, but to allow Sunkist wrappers to be used on the "Choice" grades only.
 - 5. Our advertising is directed to the consumer.
- 6. Our advertising is fundamentally not competitive; but building it around Sunkist makes Sunkist fruit competitive with all other, including our other grades.
- 7. Our advertisements do not feature grade, but eating quality—uniformly good.
- 8. It is impossible for Sunkist to represent a uniform grade with the different conditions in different districts and houses; as to grade, it only means above a certain minimum.

Question

Is it good policy to sell more than one quality of a product under the same brand?

Problem 134

Brand Policy—Using Two Brands for Same Line of Goods

The Potter Company manufactures an extensive line of women's shoes of high and medium grades. It has adopted the exclusive agency plan, giving the agency for its branded and advertised shoes to dealers in both larger and smaller towns. After a few years' experience, the company found that in giving the

exclusive agency to a dealer in a larger town a certain clientele would be reached by that agent but a large possible trade would not be reached at all. In the smaller towns the company often had dealers who were not entirely satisfactory, but the policy of the company had always been to carry these accounts nevertheless, since it was thought cold-blooded to shift as soon as there was any evidence of not reaching the desired quota. Likewise, the company received requests from shoe dealers in towns where there were already exclusive agents. The solution which the company adopted was that of establishing a new brand—the same qualities, same line, and same type of advertising for which exclusive agencies were granted to other dealers in the same towns. For the most part, the public does not know that the two brands are manufactured by the same concern. They are advertised competitively and handled by competing merchants. At the outset, different sales forces were used for pushing the two brands, but in time it was found that this was unnecessary. The same sales force now handles both brands, covering the two dealers handling the brands in a given town. shoes are the same, but care is taken to differentiate the styles sold to different dealers in any one town.

Questions

- 1. What are the weaknesses of the policy?
- 2. Under what conditions is it practical?
- 3. Should the company use the same brands for a new line of girls' shoes?

PROBLEM 135

DISTRIBUTION POLICY

The following are brief outlines of policies followed by various concerns with regard to channels of distribution:

- (1) The Hull Paper Company, of Indianapolis, manufacturing corrugated and solid-fibre shipping containers entirely upon order, sells direct to manufacturers and users of shipping cases; sells only in carload lots; no middleman used.
- (2) The Whittemore Motor Accessory Company, located at Buffalo, manufactures automotive equipment and specialties such as electric fittings, switches, and timers, and also Ford parts; sells to accessory jobbers exclusively.
- (3) The Prescott Piano Company manufactures highest-grade pianos, both grand and upright; in territory near factory, sells direct to consumers through own retail stores; in territory farther away, through retailers; on Pacific Coast, through distributors who in turn sell to retailers.
- (4) The Sleeper Shoe Company, with a capacity of 40,000 pairs a day, manufactures women's and boys' medium-grade shoes; distributes through jobbers, in whom it has financial interest, who resell to retailers in exclusive agencies.
- (5) The Myrick Company, manufacturing tractors, separators, motor cultivators, and plows, sells through branch houses to consumers in Middle West; through dealers, west of Missouri and east of Ohio.
- (6) The Weston Knitting Company, of Utica, New York, sells all goods through selling agent in New York City.
- (7) The Barker Specialty Company manufactures cloth specialties sold to manufacturers and advertisers; sells through manufacturers' agents entirely, one agent in each of 10 territories being given exclusive sales rights for a carefully defined area.

- (8) A concern manufacturing a line of brushes for household use sells direct to consumers through salesmen in charge of local sales managers in 110 cities of the United States.
- (9) The Chase Manufacturing Company produces piston rings used by manufacturers of gasoline engines, automobile manufacturers, etc.; sells direct to manufacturers on basis of yearly contracts.
- (10) The Hampton Company, manufacturing men's cravats, sells exclusively by mail to retailers.
- (11) The Capen Typewriter Company sells direct to consumers through a system of branch houses.
- (12) The Sanborn Milling Company sells fancy patent and other grades of flour to jobbers, direct to retailers in carload lots, through brokers, and direct to bakers.
- (13) A company manufacturing automatic, instantaneous gas water-heaters and other gas heaters sells through branches in 25 cities, direct to gas companies, to plumbers, and direct to users, maintaining the same prices as gas companies' or plumbers' resale prices; in territory outside branch territories, sales are made only to dealers consisting of gas companies and plumbers.

Questions

With respect to the above, answer the following questions:

- 1. Is the distribution policy indicated the one which is most advantageous to the company, irrespective of its financial strength, or would a change in internal conditions of the company possibly involve a change in distribution policy?
 - 2. What are the alternative policies in each case?
- 3. Is the distribution policy designed to secure continuance of good will, both of necessary distributors and of consumers?

PROBLEM 136

DISTRIBUTION POLICY

The Hendrick Company, manufacturing asbestos pipe coverings, sells direct to plumbing supply houses and to plumbers direct. Considerable friction has arisen, jobbers of plumbing and heating supplies objecting to direct sale on the ground that the manufacturer thereby becomes the competitor of the jobber in his own line of goods.

Question

Is it possible to continue the policy of selling to both jobbers and retailers?

PROBLEM 137 Distribution Policy

In January, 1921, the California Associated Raisin Company issued the following statement to wholesalers:

We have decided to open branch offices in the principal distributing centers of the United States, and will, therefore, discontinue selling through brokers on June of this year.

The personnel of these offices will consist of a sales manager, under whose direction a number of specialty men will work in the surrounding territory. We have considered this change very carefully for more than a year and are now making it, believing that it is not only to the advantage of ourselves, but both to the wholesale and retail trade. Our brokers, in most cases, have rendered us a splendid service, but in the very nature of things they cannot render to us the service of men who are devoting all of their time to, and whose sole purpose in life is, the selling of more "Sun-Maid" raisins.

With the changing economic conditions, plus the fact that we expect the production of raisins to double in the next ten years, makes the problem of merchandising our goods a tremendous one, and we are making this change not because we believe we can save money by doing so, but, even though it costs us more money, we can sell more raisins, and if we are right in this conclusion the advantage will not only be to ourselves but to both the wholesale and retail trade.

The New York trade journals have given wide publicity to the statement that this is but a step toward the elimination of the wholesale jobber and a "direct to the retail trade" method of merchandising. Of this we wish to most emphatically disabuse your minds. Years ago we gave the question of direct selling a great deal of thought, with the conclusion that you, as jobbers, were rendering us a service that we could not begin to duplicate for the amount of your profits, and we still believe this to be true.

It is, therefore, not our purpose to attempt to eliminate you in the handling of our product, but, on the other hand, we believe it will be possible through the new plan to work closer with you than ever before, and it is our ambition to so conduct ourselves that we may merit your good will and may have your cooperation in the marketing of our crops to even a greater degree in the future than in the past, and in announcing this change we do so feeling sure that it will be not only to our advantage but to yours also.

We are an organization of producers organized because as individuals we sold our crops year after year for less than the cost of production, and the only justification for our organization now is that we may sell our crops for something in excess of what it costs to produce them. And in spite of the criticisms of those who misunderstand or misjudge us, our sole purpose is that we may sell more raisins at a price that will show a reasonable profit to everyone who as producers or distributers renders the industry a legitimate service, and we count you among that number.

The raisin company will establish fifteen district offices, each under a district manager. Thirteen sub-offices will be opened, with fifty-eight resident salesmen, and in addition to these forces, a corps of specialty men will be maintained, sufficient in number to fully cover the trade throughout the country.

Questions

- 1. Is the change in policy advisable?
- 2. What difficulties will be encountered in dispensing with the brokerage organization?
 - 3. Criticize the proposed plan of organization.

PROBLEM 138

Policy as to Channels of Distribution

The Arkansas State Association of Wholesale Grocers, at a recent meeting (1921), adopted a resolution that manufacturers should be required to select one channel of trade through which they desired to market their products and that selling to retailers as well as wholesalers constituted discrimination. In other words, the manufacturer must sell direct to consumers solely, direct to retail dealers only, or exclusively to wholesalers.

The resolutions were sent to the Federal Trade Commission, with the request that it make a ruling to carry out the purposes of the resolutions. The reply of the Federal Trade Commission is to the effect that the Commission has no authority to make such ruling and that members of the Commission fail to find any warrant in law for the proposition expressed in the motion, for the reason that the manufacturer has the legal right to make his own selection of customers, provided that in so doing he does not make his selection in restraint of trade.

Question

Would the interests of wholesalers be served by such a policy?

Problem 139 Distribution Policy

Many manufacturers of identified products feel that, through developments of the past two or three decades, the functions of jobbers, retailers, and manufacturers with regard to distribution, have become very much confused. Through their own private brands and through their own factories, many jobbers have become competitors of the manufacturers whose branded goods

they also handle. Retail chain stores sometimes engage in wholesaling and in the manufacture of the products they sell, thus competing with the other manufacturers whose goods are also stocked.

As a consequence, it has been suggested by the sales manager of a certain concern that a group of manufacturers of standard lines undertake their own distribution to the retailer, establishing a joint sales organization and competing with present jobbing houses, which would not, of course, handle their goods.

Question

What are the merits and demerits of this plan?

Problem 140 Distribution Policy

A prominent soap company, which recently changed its distribution policy radically by dispensing with the services of wholesalers and going directly to retailers, gave rise to a great deal of discussion by wholesale grocery interests. Typical of these comments is the following, taken from the *Journal of Commerce & Commercial Bulletin*:

Much has been said by the press and through other sources that a prominent soap and shortening manufacturer had eliminated the jobbers and wholesalers by deciding to market its products direct to the retail dealers. I beg to differ with those statements, however, and will endeavor to show that the manufacturer has gone into the jobbing business.

What are the functions of a jobber or wholesaler toward distributing or marketing of products?

- 1. He secures a building commonly called a warehouse.
- 2. He gathers together an organization as follows: Manager, sales manager, credit department, buyers, office force of bookkeepers, clerks and stenographers, salesmen, shipping clerks, warehousemen and truckmen.

- 3. He purchases goods from the manufacturer or packer.
- 4. The railroads haul the freight from the manufacturer to the jobber's warehouse.
 - 5. The jobber stores the commodity.
- 6. The jobber ships and distributes in smaller quantities to the retailers.
- 7. The goods are invoiced and collections made for the same.

Let me ask you these questions:

- 1. Does not the manufacturer secure a warehouse?
- 2. Is not his district sales manager or territorial man a manager?
 - 3. Does he not have salesmen?
- 4. Has he not a force of bookkeepers, stenographers and clerks?
- 5. Who passes on the orders secured by the salesmen? Is it not the credit manager?
- 6. If the district sales manager or territorial man looks over orders and sends a requisition for stock, is he not a buyer?
- 7. How are the goods transported to the warehouse? Is it not done by the railroads?
 - 8. Are not the goods stored in the various warehouses?
- 9. Does not the manufacturer send a list of shipments and deliveries to the warehouse to be forwarded to the retailer?
- 10. Have not the warehouse people an overseer or shipping elerk?
- 11. Have not they got to have warehousemen and truck drivers?
- 12. Are not the goods invoiced and collections made for the same by the manufacturer?
- 13. Do the warehouse people go to all this expense with no reimbursement?
- 14. Who pays the warehouse people for storage and labor?
 - 15. Is not all this expense paid by the manufacturer?
- I again repeat, the manufacturer who endeavors to distribute by a so-called direct way to the retailer using warehouses, which he must do, is nothing more nor less than a jobber. Then is the jobber eliminated?

Questions

- 1. Does this state the whole case?
- 2. To what extent do the obvious answers to these questions justify retention of the wholesaler in distribution?
 - 3. To what extent are they immaterial?

PROBLEM 141

DISTRIBUTION POLICY—FINANCIAL CONTROL

(a) The Wheat Company controls eight large factories manufacturing complete line of men's, women's, and children's shoes. The factories are located in Brockton and Lynn, Massachusetts. The product is divided into two lines: one a trade-marked line, which is widely advertised; the other a line constituting about half of the production, upon which retailers' or jobbers' marks are placed. It has been the custom of the Wheat Company to sell through wholesalers in various parts of the country. They have under consideration the plan of acquiring an interest in four leading wholesalers located in Boston, Philadelphia, Chicago, and St. Louis.

Questions

What are the advantages and disadvantages of securing

- (a) A minority interest in these wholesale concerns;
 - (b) A majority or complete control?

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(b) The Wiggin Knitting Works, of Grand Rapids. Michigan, has purchased an interest in the Tamblyn & Larnard Company, selling agents for various mills. Two members of the board of directors of the Wiggin Knitting Works will represent the company on the board of directors of the selling company. This selling company has had the sale of the Wiggin line for the past 15 years. Purchase of this interest by the Knitting Works marks a change in the company's affairs from a whole-line agency into a direct selling outlet for the Coe Knitting Corporation and the Wiggin Knitting Works. The Coe Knitting Corporation, operating five knitting works in Maine, previously acquired an interest through the holdings of its general manager and vice-president. It also happens that the principal stockholders in the Wiggin Knitting Works are likewise large stockholders in the Coe Knitting Corporation. The combined productions of the two companies make a complete line of knit underwear, and it would be unnecessary for the selling company to take on other mills to have a complete line. The control of the selling company, it is said, will make for economy in the distribution of products and will make the carrying out of plans for developing business on a much larger scale.

Question

Should the Wiggin Knitting Works and the Coe Knitting Corporation consolidate and establish a selling department?

PROBLEM 142

DISTRIBUTION THROUGH MANUFACTURERS' RETAIL STORES

The Garrison Company started in business as clothing manufacturers. In 1868 they commenced to retail the production of their own workshops. Beginning with one store, the company now has seventeen in as many important cities of the United States, and its entire output is now sold through its own retail stores. The factory manufactures exclusively for these stores, although the stores handle many articles of men's furnishings which are manufactured elsewhere.

On the other hand, the MacVicar Company, manufacturing a widely advertised, trade-marked line of men's clothing, has no retail stores of its own but appoints exclusive agents in towns of 1.000 and upward.

Question

Are there fundamental reasons for such difference in policy, if financial circumstances in each case do not restrict choice?

PROBLEM 143

MANUFACTURERS' RETAIL STORES

The Seymour Company has recently acquired a factory in which it plans to manufacture a high-grade, trade-marked shoe. In studying the problems of distribution policy, the president finds that some of his most prominent competitors have established their own stores, at least in the larger cities. He finds certain other manufacturers, who are apparently just as successful and who distribute entirely through dealers. Although it would be possible for him to secure capital, he does not feel that stores should be

established unless their advantage can be very clearly demonstrated. He realizes that with his own stores. the consumer advertising campaign which he has planned could be perfectly supported. While advantage is sometimes claimed that retail prices can be lowered, he is doubtful as to this, particularly in the early development of the enterprise. Nevertheless. he feels that, in actual contact with the consumer, he cannot only avoid substitution but can study the consumer and his tastes, so that the product can be improved, new selling points developed, and experience gained in actual retailing practice, which can be turned to account in dealing with independent retailers. should be desire to market part of his product outside his own stores. Although independent dealers may be sometimes secured through the example of successful company stores, there is great danger that prospective dealers will look upon company stores as an attempt to compete directly and will either refuse to handle or push the line, so long as they know that the company also sells direct to consumers. Financially, stores may be losing propositions, particularly when they are operated for the purpose of demonstrating new ideas or of impressing independent dealers. While frequently road salesmen can be trained in these stores, the personnel problem is one of the most difficult ones in connection with the management of any chain of establishments of this kind.

Question

Since the aim of the Seymour Company and its president is not to develop a small volume selling at high prices to an exclusive trade, but to develop as large a business as possible in high-grade shoes, selling at perhaps lower than usual prices for similar qualities, what considerations should determine the policy with reference to retail stores?

PROBLEM 144

EXCLUSIVE AGENCIES

- (a) Whether selling through jobbers or direct to retailers, many manufacturers of identified goods, particularly those which have been more or less advertised, have had to formulate a policy with regard to the granting of exclusive agencies. The three alternatives are:
- (1) Refusal to grant exclusive agencies under any conditions;
- (2) Granting exclusive agencies under certain conditions or in certain sized cities, but refusing such agencies in larger communities;
- (3) The use of exclusive representatives for the entire sale of goods of the manufacturers.

Manufacturers of men's branded, advertised clothing commonly adhere to the exclusive agency plan on the basis that, in order to get the cooperation of the retailer and secure his interest in advertising and supporting a particular line, he must be assured of the exclusive right to sell the product in his own territory.

Underwear and hosiery manufacturers are instances of firms using each of the different policies. One firm gives exclusive selling rights for its entire line or exclusive rights for either men's, women's or children's sections of the line

Manufacturers of heating apparatus and of certain types of electrical supplies and larger household appliances very commonly adopt the policy of selling through only one dealer in a community. On the other hand, nationally advertised products handled by druggists and grocers ordinarily have not been distributed on the exclusive agency plan.

Questions

1. Is the statement valid that for shopping goods, exclusive agencies are usually advisable; while for convenience goods, exclusive agencies are ordinarily inadvisable?

2. Does the size of the investment required for stocking a manufacturer's line of goods have any direct bearing upon the exclusive agency policy?

3. Should the manufacturers of the following prod-

ucts use the exclusive agency method?

(a) High-grade package chocolates.

(b) Women's branded clothing.

(c) Kitchen cabinets.

(d) Carpenters' tools.

(e) Cheap cotton hosiery.

(f) Package coffee.

(g) Automobile shock absorber.

(h) Paints and varnishes.

(b) Some years ago, a leading candy-manufacturing company received an offer from a large dealer located on the Boardwalk at Atlantic City to handle the concern's candies exclusively, provided he were given a contract for the entire Boardwalk.

Question

1. What should the candy manufacturer have done?

Problem 145

Exclusive Agency

The following is quoted from a letter to the Harvard Bureau of Business Research from a manufacturing concern located in Omaha, Nebraska:

I will state our problem as briefly as possible and will appreciate any suggestions that you may see fit to make.

We are a small concern doing business on about \$16,000; one-half of this is already tied up in our machinery. Our chief product is a curtain frame for drying curtains. This frame has been endorsed by some of the largest laundries and cleansing concerns in the United States. We have been offered a considerable sum of money for our patent rights, but we have decided to manufacture and sell it ourselves, for we believe that we can realize three times the amount of money offered.

Up to date we have not been able to produce more than three a week, and these have found a ready market. Now our facilities are such that we can manufacture ten a week or even more. One thing that we have to bear in mind is that we must canvass our field, viz.: hotels, laundries, and cleansing houses, in as short a time as possible. There is always the fear that some other invention or some similar machine will make its appearance. Our machine sells for \$200.

Several concerns have asked us for the agency of this frame, but we have refused. Do you think it would be advisable to grant exclusive agencies to a number of these agencies and thus cover the whole field of the United States? They all require a 20% commission. Our present selling cost is approximately 10%. With these agencies we would undoubtedly increase our sales 400%, or in other words sell 24 frames a week. In a year's time we would make a larger gross profit, and at the same time have a larger percentage of our field covered.

What suggestions have you to offer? Thanking you in advance for your advice on the matter, I remain

Very truly yours,
The Stover Manufacturing Co.

Question

Answer this letter, giving what you think is the proper advice.

PROBLEM 146

ATTITUDE TOWARD NEWER TYPE OF BUYERS

During the early part of 1919, a conference of farmers was called by the Kansas State Board of Agriculture to consider a cooperative buying plan put out by the board. In this plan there are three basic principles rigidly insisted upon.

In the first place, the farmers must pay cash on receipt of the goods. For doing this it is planned that each buying unit shall create a special fund in its local bank against which drafts covering shipments may be

drawn.

Second, the farmers must order goods possibly six months in advance, much as some merchants do. This is to get away from the expense of carrying a stock of goods from which the farmer may select what he wants.

Third, the farmers must standardize their requirements. Each county must bunch its orders and only orders for carload lots will be accepted. Thus the State farmers' purchasing bureau will be in a position to order fifty or a hundred carloads at one time and aims to secure the lowest possible price.

For the present the bureau proposes to handle only such staple commodities as farm machinery, binding twine, salt, flour, feeds, and coal. It will have no warehouses, hoping thus to be able to operate on small capital. The goods purchased will be shipped direct from the manufacturer to the units by whom they are ordered.

Question

Providing the plan is adopted and manufacturers are asked to quote prices, what policy should they adopt?

PROBLEM 147

Policy Regarding Sale to Chain Stores

(a) The Slocum Company manufactures a line of high-grade crackers and biscuits, which are sold direct to retailers throughout the United States, more particularly in the eastern territory. The business has in the last few years increased rapidly until, at the opening of 1921, the company was selling biscuits at the rate of \$1,000,000 per year. A new factory had just been completed, which gave increased capacity.

In February the company was asked to submit samples to buyers for a large grocery chain comprising over three hundred stores. These were submitted and compared with the crackers and biscuits then being handled by this chain. In the course of a few days, the chain declared itself ready to handle the biscuit and was given the usual terms for large purchasers

Questions

1. Since the annual purchases would amount to from \$300,000 to \$500,000, should the Slocum Company have accepted this order?

2. If so, under what conditions?

(b) The Billings Company, which manufactures a line of tools with established reputation, has distributed its product through wholesalers since the organization of the company. It has never sold direct to retailers. Through advertising it has established its own brands, and there has been no difficulty in disposing of the output of the factory on the basis of quality.

In January, 1920, this company was approached by the representative of a proposed chain of hardware stores, who offered to buy a large portion of the output of this plant. There was no request for private brands, and the representative was willing to pay the price usually quoted for largest quantities.

Question

Should the company accept the contract?

(c) The Taylor Company manufactures a line of nationally advertised soaps and toilet preparations which are distributed through drug stores throughout the United States. The officials of the company are thoroughly convinced that the maintenance of resale prices is the correct policy and are endeavoring to carry it out by several legitimate means. Quantity discounts are not given for large purchases. The products are sold in chain drug stores, though generally at no important deduction from fixed resale prices. The sales manager of this company has learned that a certain chain to whom they are selling is giving substantial premiums to retail clerks to push their private brands of toilet preparations which compete with those manufactured by the Taylor Company.

Question

Does the situation require any action on the part of the sales manager?

PROBLEM 148

Policy Regarding Sale to Mail-Order Houses and Chains

The Snyder & Long Company is a firm of commission agents selling entirely through jobbers located throughout the United States. It either owns or is closely identified with the six mills for which it sells. One of the mills manufactures muslin, which for the last 40 years has been sold under the trade-mark "Pride of the West." Approximately 80% of the sales of this muslin have been in the Middle West.

During the early part of 1918 the company received two large orders for this muslin, one from a large mail-order house and the other from a chain of 50-cent and dollar stores. This chain consisted of 30 stores located in many of the cities and towns of Ohio and Illinois having a population of 15,000; a few of the stores were situated in smaller towns.

Question

What factors should the Snyder & Long Company have taken into consideration before reaching a decision on these two orders?

Problem 149

Policy Regarding Sale to Mail-Order Houses

The manufacturer of a security auto thief signal is confronted with the problem of whether to sell mailorder houses at the risk of jeopardizing his jobber house connection and good will of retailers.

Some consumer advertising has been done, but it cannot be said that there is a constant demand for the commodity which will allow the manufacturer to dictate to the jobber and retailer.

Question

What should be the decision?

PROBLEM 150

SALES POLICY

Committees of the Canadian Wholesale Grocers' Association, appointed at a convention in 1919, were asked to come to some agreement upon the following questions:

- 1. Do you consider that wholesale grocers should sell direct to hotels, restaurants, farmers' clubs, co-operative societies, mail order houses, chain stores, and to customers who are not actively engaged in the retail trade?
- 2. Do you consider that the wholesale and retail trade should carry the stocks of the different staple lines of goods, such as canned vegetables, fruits and fish, jams and jellies, etc., by placing orders in advance?
- 3. Provided the wholesale trade agrees to eliminate a great many injurious practices that are now carried on in the trade, do you consider that it would be advisable for us to agree to make all our purchases through the wholesale trade of the goods that the wholesale grocers handle and which we require, instead of buying direct from the manufacturers?
- 4. Do you consider that wholesale grocers should sell to persons who have no knowledge of the grocery business and supply them with more stock than they have capital?
- 5. Would you be in favor through the grocers' section of our association, of giving retail grocers a certificate stating that they are qualified retail grocers?
- 6. Do you consider it advisable that wholesale grocers should sell to retail grocers who have failed in business, and who have been in the habit of price-cutting, and who have settled their liabilities at a percentage on the dollar, more than once?

Question

As a wholesale grocer, what would seem to you a fair basis for agreement?

Problem 151

DETERMINING POLICY AS TO PRICE LEVEL

In 1919 the Stann Company, of Boston, bought out at a receivership sale the plant and good will of the Devoe Beverage Company. Among the products that the Devoe Company had produced was a high-priced bottled beverage on which had been spent nearly a half-million dollars in advertising. The attempt to develop a profitable business, however, had met with little success. Based on the experience of the Devoe Company is seemed useless to the Stann management to spend more money advertising this beverage, the sales and profits of which were just large enough to pay the overhead charges of the plant purchased at the receivership sale. On the other hand, the manufacture of this article took only about 15 to 20% of the capacity of the plant. The experience of the Devoe Company indicated conclusively to the board of directors of the Stann Company that practically no additional business could be obtained by a reduction in price, nor could an increase be expected from additional advertising.

The president of the Stann Company believed that the solution of their trouble was to produce a different beverage. Accordingly he made a preliminary investigation of the situation and found what he believed was a beverage that had every indication of becoming a big seller. The product was tried out for a short period. The management was convinced by this trial that if the new beverage was to be marketed successfully it would have to be sold by retailers to the consumer at To raise the price would destroy the pos-25 cents. sibility of large sales. The president had cost figures which showed that if only two direct manufacturing costs, namely, materials and labor, were charged against this beverage it could be produced and return a small margin of profit to the company. After carefully reviewing the cost figures he suggested to the board of directors that the new beverage be produced and that all overhead expenses except materials and labor should not be charged against this product, that the manufacture of the old beverage be continued, which would, from the experience of the Devoe Company, net a sufficient profit to meet the other operating

expenses of the plant.

Two members of the board of directors took a stand against such a procedure. They maintained that it was poor business policy and a breach of ethics to sell an article at a price which did not bear its full share of the manufacturing costs.

Question

Should the Stann Company have marketed the new article at 25 cents?

PROBLEM 152 PRICE POLICY

The Heddon Company manufactures a patented machine for dispensing gummed tape for packages after wrapping. The machine is of a type having no competitors in its class selling for less than \$20, although there are light machines selling as low as \$5. On the basis of finish, serviceability, and durability, the company feels that its real competitors are not the cheap machines but those sold by two or three other concerns at from \$20 to \$30.

The manufacturing company has very limited capital. It is necessary to establish terms which involve a minimum of risk. The following schedule of prices is proposed:

	Cost of machine, actual material, and labor	with overhead	machine to the general	Cost of machine to the sub. agt. salesman		Cost of machine to the buyer or consumer
1	\$3.50	\$5.00	\$7.25	\$9.25	\$10.00	\$12.50
10	3.50	5.00	7.00	9.00	9.75	12.00
25	3.50	5.00	6.90	8.75	9.50	11.50
50	3.50	5.00	6.80	8.50	9.25	11.00
100	3.50	5.00	6.70	8.25	9.00	10.50
200	3.50	5.00	6.60	8.00	8.75	10.00
500	3.50	5.00	6.50	7.75	8.50	9.50

The above prices f. o. b. Newark, N. J. Terms—cash with order, 5%; 2% 10 days date of invoice. Net 30 days. After 30 days 2% per month interest.

The plan is to sell the machines through general agents in particular territories, who in turn sell to sub-agents working with dealers in their respective territories. The plant is located at Newark, N. J.

Questions

- 1. Is the price schedule to be recommended?
- 2. Are the quantity discounts justified?

Problem 153 Price Level

The Southern Oil Trading Company, which manufactures a cooking compound called "Snowdrift," issued under date of June 7, 1921, a selling price allowing jobbers a 10% discount and .5% cash discount, also proposing that in order to make the jobbers' salesmen familiar with selling prices, to issue such prevailing price lists to the jobbers' salesmen direct.

A New York grocery jobber, who was one of those to receive a copy of the letter sent out, protested as follows:

Your policy of marketing "Snowdrift" has been a just one. The jobbers have been making their own prices and have been receiving a profit commensurate with the work they have been doing. You have now changed this. A discount of 10% will not pay any jobber in this district to handle your goods. Our expense of doing business is well over 10%. By referring to the Bureau of Business Research of Harvard University you can find the percentage of doing business of the wholesale grocery trade throughout the entire United States and you will find that on this basis the jobbers cannot handle your goods. During the past few years we have developed a considerable business on "Snowdrift" and have enjoyed for ourselves and for our salesmen a fair profit, but on the basis that you now suggest we will have to discontinue the handling of "Snowdrift" in every way.

Questions

1. Is this protest valid?

2. What action should the Southern Oil Trading Company take?

PROBLEM 154 PRICE POLICY

A company manufacturing a metallic filler, which is used to a considerable extent in the manufacture and repair of automotive machinery has given the sale of its product to a manufacturers' agent located in Philadelphia. This manufacturers' agent, in addition to the metallic filler, handles a crank-shaft grinder for which the apparently well-founded claim is made that it is efficient and accurate to a degree not ordinarily true of such machines. The crank-shaft grinder costs the manufacturers' agent \$32.50 and sells to the machine shop or the garage at \$75. The metallic filler is sold at \$5.50 per pound; the cost is \$1.50 per

pound, but salesmen working on a commission basis are given \$1.75 per pound commission.

The manufacturer has found that, although his product is of unusual quality, sales have increased very slowly.

Questions

- 1. Should be undertake direct sale to garage and machine shops or direct to wholesalers of supplies and accessories for the automotive trade?
 - 2. Is the price schedule a satisfactory one?

Problem 155

PRICING DISCONTINUED PARTS MADE TO SPECIAL ORDER

The Adler Jones Company, manufacturers of textile machinery, carries in stock a supply of the standard parts of its machines. These are used both in assembling machines and in filling customers' replacement orders for parts.

During the early part of 1915, the engineers of the Adler Jones Company changed the design of one of the standard starting-lever studs. It has been the custom to manufacture this stud in lots of 5,000, and to sell them to customers for replacement purposes at 3 cents. The new stud, it was found, if manufactured in lots of 5,000, could also be sold at 3 cents apiece and return approximately the same profit. Accordingly the manufacture of the old stud was discontinued, and the new stud was listed in the catalog at 3 cents.

The stock of the old stud was consumed by February, 1916. On March 10th an order was received for 50 of the old studs. A lot of 200 old studs was made up, and the cost records showed that these studs cost the Company 12½ cents to manufacture.

Question

Should these studs have been billed to the customer at 12^{1}_{2} cents apiece, or at 3 cents, the old selling price, which was also the selling price of the new stud?

PROBLEM 156

Policy of Pricing Special Attachments When Filling Replacement Orders

For the convenience of customers, the Falcona Manufacturing Company carries a supply of the standard attachments of its machines in stock so that replacement orders from customers can be rapidly filled. It happens, however, that in many instances at least 25% of the attachments on each machine are made in accordance with the individual customer's specifications. These special attachments, naturally, are not carried in stock, and when any one of them is needed by a customer, a special manufacturing order must be started in the factory. Since they must be put through the factory as individual orders, it costs more to produce them than the company's standard attachments which are manufactured to stock in large quantities.

When billing a new machine that calls for a special attachment, it has been the custom of the Falcona Manufacturing Company to bill the special attachment at the same price as the similar standard attachment of the company; for example, a special attachment costing \$18.50 to manufacture would be billed to the customer at \$5, which is the price of a similar attachment that the company has already standardized.

Question

Should the Falcona Manufacturing Company charge customers the actual manufacturing cost of such special attachments when made for replacement orders, or should they charge the price quoted for a similar attachment which the company has standardized?

PROBLEM 157 CASH DISCOUNT POLICY

The Davidson Rubber Company manufactures a line of druggists' rubber sundries, which it sells entirely through large wholesalers. Its terms are net 30 days, no discount being granted for cash. In its price list is the following statement:

In conformity with our policy of impartial fairness, loss or expense due to failure of the individual account to comply with the terms of sale will be provided for directly in our quotations and terms to such account and will not be reflected as an element of cost in our list prices.

The officials of the company believe that, in figuring selling prices, the loss due to cash discount must be included. This naturally increases the selling price and thus lessens the opportunity to offer an item at a low price. Nor does the quick payment of accounts, due to the cash discount offer, wholly offset the sales lost due to a seemingly high price on the item.

We allow no cash discounts; our terms are net 30 days. As a matter of fact, prices are predicated on a cash basis; but, in order to facilitate the business on a cash transaction, we extend credit courtesy of 30 days.

Question

Is the argument against the cash discount generally applicable?

Problem 158

Cash Discounts

The following passage occurs in a letter from the sales manager of a concern manufacturing leather belting and other mechanical leather goods:

Within the last week we have had several discussions here on a problem which does not very frequently come up and upon which we have had different opinions expressed by thorough-going, confident business men of long experience. The case is this: A customer purchases a bill of goods, which are sold on terms of net 30 days, 1^{C}_{ℓ} 10 days for cash payment. He pays his bill within 10 days, deducting the $1^{C'}_{\ell}$ for cash, and upon receiving and inspecting the goods, he finds that they are not suitable for the work for which they were intended. The matter is reported to the seller, and he is permitted to return the goods for credit.

Upon receipt of the goods he is sent a credit memorandum, showing the net amount of the original invoice less the 1% deduction. The net amount shown on the memorandum being exactly that which he paid for the goods.

On receiving the memorandum he takes exception to the 1% deduction, insisting that in the purchase of the goods there are two separate transactions involved. First the purchase of the goods at a definite price, secondly the banking transaction whereby he is given 1% for the use of his money between the 10th day from date of invoice, on which day the right to make a cash deduction expires, and the 30th day from date of invoice, on which day the net amount of the invoice is due.

He, therefore, insists that the seller send him a credit memorandum for the gross amount of the invoice as originally rendered; in other words, he wants $1\frac{C_{\ell}}{\ell}$ more returned to him than he actually paid for the goods received.

It is our contention that in this case the buyer is wrong and that the seller is under obligation to return just exactly what he paid for the goods and no more.

Question

Is the opinion of the sales manager correct?

Problem 159 Price Policy in Falling Market

In the spring of 1920 certain manufacturers, in an endeavor to bring the price level back to nearer normal, desired to reestablish competitive price levels, prices low enough to awaken consumer interest. During the war the custom of publishing prices had to a large extent been done away with, and consumers in many

cases seemed to have forgotten what the old standard prices for certain branded articles were.

When the standard prices were again published, complaints came from retailers in large numbers. In effect they were as follows:

- (1) You publish retail prices in your advertising and deprive us of our prerogative of naming such retail prices as we see fit and such as will allow us sufficient profit.
- (2) When you publish retail prices you catch us with stock on hand. We are forced either to reduce our prices to your amounced level and lose money or hold them up and lose trade.

Question

- 1. Is it good policy for the manufacturer to advertise such decline before dealers' stocks purchased at higher levels are exhausted?
- 2. What answer should be given to the complaints of retailers?

Problem 160

REDUCTION OF PRICES

In the spring of 1921 the James E. Ward Company, manufacturers of high-grade candies, sold their product, which was to be retailed at the rate of \$1.50 to \$2.50 per pound, through regular distributors established for many years. It appeared, however, that the cuts made by other manufacturers to \$1.25 and \$1 per pound were having some effect upon the volume of sales of the Ward Company. Without notice to the public of any decline, dealers were provided with 1½-pound boxes to be retailed at \$1; in other words, a decline of more than 50%. At the same time a com-

petitor, the Ballard Chocolate Company, retailing chocolates for \$1.25 per pound, sold 2^{1} 5-pound boxes for \$1.50.

Questions

- 1. What steps must be taken by these manufacturers in order to retain dealer good will?
- 2. It is good policy to sell candy under companies' trade-marks at reduced prices?

Problem 161 Sliding Discounts

The Shepley Company, manufacturing tractors and other agricultural implements, uses the following price arrangement for its XY model tractor:

CASH

Tractors	Factory	Dealers'	Dealers'	Dealers'
Purchased	List	Discount	Net Prices	Profits
4 to 8 incl.	\$2,085.	22^{c}_{ℓ} 24^{c}_{ℓ} 26^{c}_{ℓ} 27^{c}_{ℓ} 28^{c}_{ℓ}	\$1,626.30	\$458.70
9 to 16 "	2,085.		1,584.60	500.40
17 to 24 "	2,085.		1,542.90	542.10
25 to 32 "	2,085.		1,522.05	562.95
33 or more	2,085.		1,501.20	583.80

TIME

4 to 8 incl.	\$2,150.	$rac{22^{C_{i}}}{24^{C_{i}}} \ rac{26^{C_{i}}}{27^{C_{i}}}$	\$1,677.00	\$473.00
9 to 16 "	2,150.		1,634.00	516.00
17 to 24 "	2,150.		1,591.00	559.00
25 to 32 "	2,150.		1,569.50	580.50
33 or more	2,150.	28%	1,548.00	602.00

Questions

- 1. What are the advantages and disadvantages of this sliding discount scale?
- 2. Under what conditions is such a plan a stimulus to greater sales?

PROBLEM 169

TRADE DISCOUNTS

The usual practice of publishers is to sell books to retail booksellers on a sliding scale of discounts ranging from 25% on a single copy up to 40% or more on 100 copies of one title. As a rule, the minimum rate is 33½%. Only a few have a separate discount scale for the jobber. Hence, the only way a bona fide jobber can make a profit is to buy in large quantities and sell in small quantities. Since the dealer can get just as good a profit as the jobber any time he wants to buy the same quantity, there is a strong tendency for the dealer to buy direct. The result is that there are few real jobbers in books, probably not more than ten or a dozen concerns officially recognized by publishers as book jobbers; and, with two or three exceptions, these concerns are also large retailers.

The Robert Carter Press uses the following scale of discounts:

10% on special publications; carriage prepaid.

10% on law case books; carriage paid by dealer.
15% on text-books; carriage paid by dealer.
25% on 1 to 4 copies regular publications; carriage paid by dealer.

33½% on 5 to 24 copies regular publications; carriage paid by dealer.

 $33\frac{1}{3}\%$ and 5% on 25 to 99 copies.

40% on 100 or more copies.

It is known that the discounts to the trade average from 5% to 8% below those of other publishers. The policy of the company has been against the granting of any discount on sales to libraries. Sales to libraries have been very small, although most of the books published by the concern are of a non-fictional nature, and it is estimated that libraries purchase 10% of all the non-fictional works. There has developed a practice among libraries of purchasing through large jobbers or agents, who make a specialty of the library business. The reason for this development is said to be the failure of publishers to allow discounts to libraries. The jobbers or agents allow libraries a discount of 10 per cent. In dealing with them the libraries economize in accounting cost, because they deal with one jobber rather than direct with many publishers. Also, the service rendered by these agents causes them to be preferred to some extent, because buyers can visit the booksellers in the larger cities, buying the books they wish and obtaining immediate delivery. It is said that these advantages could be easily offset by publishers generally, and by the Carter Press in particular, through increasing the discount to libraries to a minimum of 20% off list. Several leading publishers have recently announced the granting of as large a discount as this.

Questions

- 1. Would it be good policy for the Press to grant a discount to libraries?
- 2. To what extent would a discount to libraries tend to antagonize retail booksellers?
- 3. What change, if any, should be made in the discount rate to dealers?

Problem 163

BILLING GOODS AT FICTITIOUS PRICES

The Leavitt Manufacturing Company produces men's and women's Goodyear welts and turned shoes. The output of its factories is approximately 6,000 pairs per day. The company sells the largest percentage of its product to shoe wholesalers. The balance is sold only to large individual buyers, such as department stores and retail shoe chains. The wholesale houses receive a standard wholesale trade discount of 15%, which is based on 12% operating expense and 3% profit

for the wholesaler. The company has standardized the cash discounts which it offers when selling direct to the large individual buyers and has established varying cash discounts for the different grades of shoes that are made. For example, Style 2135 is manufactured to net the company \$4.70. This price includes the cost of the materials, cost of manufacture, and the company's profits. The discount given on this style when sold direct to the individual buyers is 6 per cent. Thus the shoe is offered at \$5, or, less the discount, \$4.70. The dating terms are 30 days net.

Frequently the salesmen, when selling to department store buyers, have been told that it is necessary for them to receive a cash discount of 10%, as their executives require them to obtain a 10% discount on all purchases. The salesmen of the Leavitt Manufacturing Company have been instructed to state that their 6% discount is standardized and to tell the buyer that, if he insists upon a higher discount, they are willing to change the billed price of the shoe from \$5 to \$5.25 if a 10% discount is required, but that under no consideration will the Leavitt Manufacturing Company sell the shoe at a price less a discount that would net the company less than \$4.70.

Question

Is such a policy of arranging a fictitious billing price advisable from the point of view of the Leavitt Manufacturing Company?

Problem 164 Price Policy

The Redmond Tire Company, manufacturing a line of pneumatic and solid automobile tires for pleasure cars and trucks, has list prices on solid tires practically the same as other leading makers. The discounts given to the distributor are 10, 10 and 10, and 5% cash 10th proximo. In addition, they have an extra 5% rebate proposition operative on a \$10,000 volume net. reaching this figure, a credit is applied to the customer's account to be taken out in new goods. Immediately. on additional business the extra 5% becomes operative in addition to the regular distributor's discount. other words, the discount, after an account reaches a \$10,000 volume, is 10, 10, 10 and 5, and 5% cash 10th proximo.

The sales organization of the company is directed to exercise caution on the $5^{e\gamma}_{-0}$ rebate proposition. must not be used promiscuously and must be used only where there is no doubt of the distributor's ability to give a minimum of \$10,000 business within one year. The branch managers must personally approve the rebate before it is offered. The organization finds that there is a tendency on the part of branch managers to grant 5% rebate even where the requirements have not been met. Competition has been very severe, and branch managers say that it is necessary to make this

concession.

Question

Assuming that conditions are as asserted by branch managers, should the Redmond Company change its terms so as to conform, or permit the making of concessions when necessary to secure orders?

PROBLEM 165 QUANTITY DISCOUNT

Many of the leading biscuit makers sell their products on a quantity discount basis, the amount of the discount depending upon the money value of the orders of the customer in any one month. For example, the quantity discounts of the Bacon Company, one of the largest concerns in this line, run as follows:

Purchases amounting	to \$ 15	receive	5%
**	50		10
	100		$12\frac{1}{2}$
	150		15
	1,000		16
	2,000		17
	3,000		18
	4,000		19
	5,000		20

There are occasionally further discounts for extremely large quantities.

The Wason Company, an independent baking company producing a high-quality biscuit, has adopted the plan of giving in every case a quantity discount which is somewhat more favorable than that of its main competitors. For example, where the Bacon Company gives 5% on \$15 monthly purchases, the Wason Company gives 5% on \$10. It is said that this change gives the Wason Company a considerable advantage, particularly in the very small neighborhood stores. Furthermore, the Wason Company offers throughout the range a discount schedule which is considerably more favorable than that of its competitors, consequently giving the salesmen a strong selling point.

The Wason Company, upon the building of a new factory, accepted a contract from a chain of 200 stores to supply them with about \$400,000 of biscuits per year. By virtue of the discounts granted, this company was able to sell certain crackers, which it featured in advertisements, at retail prices less than the prices paid by the Davis Wholesale Grocery Company,

located in the same city as the chain of stores. The president of this wholesale grocery company, Mr. Mullen, has written a letter to the Wason Company, calling attention to the fact that retail prices of certain crackers are less than the prices paid by the wholesale company, with the statement that unless this situation is rectified the wholesale company will be compelled to discontinue handling the Wason line. At the same time, letters were received from retailers competing with the chain stores to the effect that they could not afford to sell the particular cracker advertised and featured by this chain at the price quoted, asking for adjustment of price levels, and threatening to discontinue handling the line unless something were done.

Question

Write a letter to the president of the wholesale grocery company giving your decision.

PROBLEM 166

QUANTITY DISCOUNT VS. JOBBERS' DISCOUNT

The Carton Company manufacturing for the hardware trade an article widely advertised and backed up by an efficient sales force, found that in the period from 1916 to 1920 there had been very little increase in volume of sales. A study of records and reports of salesmen showed that dealers had a tendency to overstock the product. Overstocking the product, which is seasonal in its nature, tended to cause loss of enthusiasm and good will and loss of a number of the best customers each year. The records showed that comparatively few jobbers were actively pushing the article, that many were handling it not at all, and that

most of those who did carried minimum stocks merely to satisfy occasional demands of customers. The retailers on the company's customer list were for the most part the larger retailers, while the majority of small retailers did not handle the article.

The sales manager claims that the price policy of the company is responsible for this condition. He states that the plan, which consists of a sliding scale of discounts whereby quantity bought determines the price, tends to induce overstocking and discouragement of the small dealer. The fact that no distinction is drawn between jobbers and retailers, although jobbers are quite active in this field, is the reason for the failure of jobbers to handle the article and bring it before their customers.

Question

Is revision of price policy likely to be a sufficient remedy?

PROBLEM 167 PRICE GUARANTEE

The following statement was issued by the secretary of an association of wholesale grocers:

Therefore, it seems to us a distinct cleavage should be made in classifying merchandise which is or is not guaranteed against price declines and our way of looking at this would be:

- (1) Where the value of the raw material sold is a very small part of the value of the article offered; where the price is, therefore, one which is entirely a matter of what the manufacturer cares to ask, and where the buyer has no market to guide him, the price ought to be guaranteed against decline not only until shipped, but until sold.
- (2) Where there is a distinct market which governs the raw material; where the buyer has every chance to keep himself posted on this market; where the cost of the manufacturing is small and easily obtainable by the buyer, and where he has an equal chance with the seller of knowing what the by-products, if any, are bringing, then it is poor

business to guarantee prices, and very disadvantageous to the wholesale grocer, as it discriminates in favor of the poor buyer to the detriment of the buyer who studies his business.

(3) In certain unsettled and wild markets it is essential for the manufacturer who is desirous of having the whole-salers carry sufficient floor stock of his merchandise, and when the buyer's best judgment tells him that it is not good business to carry any stock at all, then the manufacturer who desires to have his goods on the wholesaler's floors will find it to his own advantage even under condition two, to guarantee his price against decline. What this amounts to is merely consigning with the added advantage that the manufacturer gets paid for the consigned stock instead of waiting until it is sold. The benefits in this case are not to the buyer, but are all in favor of the seller.

We, therefore, think that no hard and fast rule can be laid down that all goods should be guaranteed against decline in price, but that the question of the character of the merchandise and the situation of the manufacturer should be the governing con-iderations. Precedents even should not be considered, as all precedents are made to be broken some time.

Question

Are these generalizations sound?

Problem 168 Price Guarantee

At a meeting of the American Cotton Manufacturers' Association, it was proposed that the custom of making contracts for delivery, extending over a long period at a fixed price, be discontinued whenever possible. The president said, in part:

When it is desirable for a purchaser to protect his source of supply for some months ahead, let the mill enter into an agreement to reserve a given number of looms or spindles sufficient to produce the desired amount of customers' requirements at an agreed differential over cotton. Under this arrangement the purchaser would be assured of his cloth or yarn and the mill could buy in the cotton and fix the price on an agreed day during month preceding month

of delivery. Likewise, the mill would be assured of orders for steady operation of machinery and could contract for its requirements of cotton on a "call basis"—the cotton to be "called" and price fixed on date agreed upon with the customer. This plan of buying cotton by mills has become more and more common during the past few years.

It was suggested that, since it had proved satisfactory to cotton merchants and mills, a similar plan might prove satisfactory for the sale of cotton textiles.

Questions

- 1. What are the advantages and disadvantages of this plan from the view-point of the cotton mill?
 - 2. From the view-point of the wholesaler?

PROBLEM 169 PRICE GUARANTEE

During declining prices in 1920, much public attention was called to the effects of the practice of guaranteeing prices against decline in various lines, when orders were taken for future delivery. The Federal Trade Commission sent a questionnaire, late in 1919. to those interested in the subject, asking representatives of various industries to express their opinions upon the question of guarantee against decline in price. Later, hearings were held and a digest of the replies was published. Among the industries in which there were several replies favorable to price guarantee were agricultural implements, grocery jobbing, hardware wholesaling and manufacturing, paint and varnish manufacturing, and paper manufacturing. Among those represented by several opposing replies were the coffee, extract, and spice trade, cordage and rope manufacturing, cotton goods and thread manufacturing, iron and steel manufacturing, knit-goods manufacturing, milling, oil and petroleum. Typical replies may be quoted to show the difference in opinion:

A manufacturer of agricultural implements says, in

substance:

Much in favor of this custom, as believe principle as applied to undelivered portion of contracts, such as steel bars, etc., has tendency to in-ure regular and continued factory operation, also gives manufacturer opportunity to buy on much less fluctuating market. However, it should be permissive and not mandatory.

Another manufacturer in the same line:

Believe guarantee necessary to agricultural implement industry. Manufacturers' storage facilities are limited to two months' output, and jobbers will not buy season's requirements in advance without guarantee. Present practice permits more even distribution of shipments. Guarantees should be limited to following conditions: to definite date, immediately preceding farmer's demand; only to declines in manufacturers' own price; and cover only goods on hand at specified date. Sole object of extending guarantee should be to bring about better factory operations and more even spread of shipments.

In the drug trade, members of the National Wholesale Druggists' Association expressed approval for the following reasons:

Encourages jobbers to carry adequate stocks, stabilizes relations between manufacturer and jobber and assures more continuous operation of factories, with resultant steady employment of labor. Manufacturer in touch with primary markets and able to closely estimate future conditions. Jobbers' profit too small to permit assumption of possible loss. Approximately 70% of goods handled by wholesale druggists subject to price fixed by manufacturer. Praetice is aid to manufacturer in providing complete and quick distribution to consuming market. Do not believe guarantee results in higher prices. In cases of epidemic, if insufficient stocks in hands of jobbers, abnormal demand quickly drives up prices.

Grocery jobbers:

To abandon policy would lessen car-lot shipments, adding cost to consumer and would eliminate cooperative

plan by which manufacturer has free use jobber's floor space in exchange for guarantee, adding to manufacturer's cost, paid by consumer. Large dealers in season of plenty would stock on speculative basis, taking advantage of markets as they advance. Small dealers at a disadvantage with firms of large resources unless price guaranteed to all. Loss dealers sustain without guarantee made up in some other way and consumer pays. Present plan affords consumer supply at correct prices; also affords carriers even freight movement. To prohibit guarantee would congest stocks at manufacturing plants.

Practice applies chiefly to proprietary or much-advertised brands of foods, which assures adequate stock in hands of distributors, on which the distributor and retailer make smallest profits, a profit established by the manufacturer or by keen competition. Retailers usually operate with limited capital and the obligation is imposed upon jobber to keep sufficient stock for quick demand, entitling him to guarantee against decline in price. Distance of jobbing centers from manufacturing regions additional reason for distributors carrying heavy stocks. Guarantee prevents losses otherwise occurring in wholesale jobbers' trade. Do not believe practice operates to disadvantage of small manufacturer.

A manufacturer of metal wheels receives and dispenses guarantee privilege; guarantee relates only to unshipped goods; disapproves of guarantee on goods shipped unless shipped on consignment; does not believe custom demoralizes trade, but permits jobber to meet competition when price decline sets in.

Among the opinions opposing price guarantee were the following:

A New Orleans coffee jobber:

Actual experience many years guaranteeing against our own advance or against decline (60 to 90 days) to cover period date of sale to date of shipment, have observed great abuse and sustained substantial losses. To cite specific case: April and May 1919, when coffees were undergoing substantial advances, had 60 and 90 day contracts outstanding and sustained in June 1919, operations net deficit of \$7,988. During July and August 1919, market declined rapidly. Submit that this policy one of the most abominable and expensive customs in merchandising. July 1919 withdrew 60 and 90 day and substituted 30 day guarantee. One

customer offered contract for 1920 requirements at fixed price. We declined their business on such basis. Practice leads to overstocking on roasted coffee.

A large cordage manufacturer believes the provision unfair and unjust to manufacturer and expresses opinion that so-called "contracts" are merely options to jobbers and earry no advantage to manufacturer, because manufacturer does not execute and live up to real contracts for raw materials.

A southern cotton mill:

Believe guarantee unsound and unreasonable. It is a one-sided contract. We buy raw materials in markets subject to fluctuation and see no reason for granting our customers such favors.

A New York City food manufacturer:

Practice fundamentally unsound. Would inject speculative feature. Contracts for raw material not subject to protection against decline. If we guarantee prices, we assume risk and find ourselves "Playing the market," with attendant evils. Have found, even at higher price, jobbers give business to those who guarantee prices. Under guarantee system, jobber assumes no risk; encourages him to contract for more than legitimate needs in anticipation of speculative profits. Overbuying puts greater quantity products than necessary in trade channels. Guaranteeing prices means expense to manufacturer, same as other costs of selling, and consumer pays it. When prices raw materials decline, manufacturers reluctant to reduce prices because of contracts at higher prices.

A hardware jobber:

Believe that custom, if practiced universally, would tend to inflate prices and restrain manufacturers from making reductions while guarantees were out. However, recognize that under existing circumstances it is necessary to guarantee prices in order to market goods for entire season.

The Bolt, Nut & Rivet Institute expresses the belief that such guarantee is practically option given to buyer to accept or reject goods, encourages speculative buying and inflates orders, creating artificial prices; guarantee beyond date of shipment is vicious, as rebate in most cases is really additional profit. Such form of guarantee does not prevail in bolt, nut, and rivet industry. Guarantee effective until date of shipment is practiced in this industry and is not regarded as being so pernicious, although it does introduce a speculative element in business. The Institute would welcome the abolition of this practice; not believed that reform can be brought about within the trade.

An association of tin plate manufacturers:

After thorough discussion, officers of this association instructed that it is the firm conviction of its members that practice is vicious and detrimental. No good reason why manufacturer should assume further responsibility after making sale in good faith and on acceptable terms. Practice is inimical to best interest of those willing to back business judgment with their own money. It places premium upon ignorance, inexperience, and incompetency, and encourages expansion beyond financial resources. Believe it encourages newcomers to attain in brief time position it has taken others years to attain.

The National Machine Tool Builders:

Following the armistice, fearing disturbed business conditions some jobbers could not be encouraged to buy without guarantee, which did not extend beyond six months. Practice is now not followed in this trade and is not believed to be good business.

Questions

- 1. Should a shoe manufacturer guarantee prices against decline when selling his next season's line?
- 2. Should a canner guarantee prices when selling through brokers to wholesalers?

PROBLEM 170 Uniform Price Policy

A wholesale grocery is placing a new man in a territory, which has been worked by Mr. Smith, recently resigned. On the first day, Mr. Moore, the new man, reported that Smith had gotten most of his business by offering special discounts, which were to be paid out of his own pocket; these ranged all the way from 1 to 5 per cent. It appeared that the discounts which had been promised would have practically swallowed his salary for the ensuing month had he stayed with the company and made good his promises.

The company had known that, for a considerable period, Smith's business was being secured on the basis of secret discounts, but reasoned that he was selling satisfactory volume, was collecting bills, and that the company was not concerned further. Nevertheless, the reports of the new salesman showed that the territory was in bad shape and that to get back upon a regular and profitable basis would require considerable time and effort. This was important, particularly because the wholesaler specialized in certain private brands, on which for many years he had obtained a very satisfactory volume of business.

The sales manager feels that he must determine once and for all his policy toward inside discounts.

Questions

1. Should be tolerate such discounts when known to exist, or should salesmen be discharged if it becomes known that they buy business?

2. Should salesmen be allowed to make concessions in prices if they think it necessary in order to secure business?

Problem 171 One-Price Policy

The question whether or not to maintain a oneprice-to-all policy is a problem which faces certain wholesale grocers. Many retailers feel that they are getting a big advantage over their competitors if they are able to beat down the wholesaler's price a few cents. Certain wholesalers make a practice of raising their prices slightly in order to reduce them later by apparently permitting the retailer to get the better of them in a bargain.

The Machada Wholesale Grocery Company, of Brooklyn, New York, sells groceries, bakery goods and meats to a number of small shops operated by foreigners in the lower East Side district of New York City. As these shops are often operated on extremely limited capital, credit must be extended by the wholesaler to these dealers; but many of these foreigners are governed by such questionable business ethics that the credit risk in dealing with them is very great. It is not uncommon to have one of these dealers move away suddenly without paying his bills. To guard against losses from bad debts from this source, the Machada Grocery Company adopted the policy of increasing the prices to these dealers in order that even after a bargain had been made and the price reduced slightly from the original quotation, the goods would be sold at a price slightly higher than that given to American storekeepers. In this manner a fund was gradually built up from the excess charges against the foreign shopkeepers in order to insure the Machada Grocery Company against losses from bad debts from this source. Thus the class of shopkeepers responsible for a large proportion of the bad debts were made to bear the expenses of this additional credit risk.

Question

Should the policy be continued?

PROBLEM 172 Price-Cutting

Some manufacturers of toilet accessories make a practice of selling at fixed prices, irrespective of quantity, and endeavor through legitimate means to keep retail prices at a fixed level. On the other hand. most manufacturers of such products will give quantity price for a purchase of, say, five gross of the product, varying from $10^{e/}$ to $20^{e/}$ off the single-dozen price. A manufacturer with limited resources is always confronted with the problem of policy with respect to quantity prices. If he makes concessions for larger purchases, he immediately gives an inducement to chain groceries and druggists to handle the product: and, with their price policies, the possibility of cutting prices in competition with other types of dealers is always present. A common view-point of manufacturers of widely advertised articles is expressed in the following letter from a company producing a nationally advertised toilet soap. The manufacturer was asked his opinion regarding price-cutting, which was carried on by several drug and chain-stores in a large city

Price-cutting is an evil to which all successful advertised products are subject. It is a compliment to a product to have it used as a leader by department stores and large dealers, since it shows that they consider the product as possessing great pulling power. It, however, injures the product in the eyes of the public and it also injures the article as far as other dealers in a community are concerned.

When large department stores cut the price of a product, it is extremely hard to keep the smaller merchants in a town in a friendly attitude. Probably the gross sales of an article are not affected by price-cutting in a town, since the price-cutter disposes of an immense amount of the merchandise. Price-cutting is not immaterial from our point of view. We, however, have to make the best of it, in the face of the fact that it is unlawful for a manufacturer to try to maintain the resale prices of his goods. Until such time as the manufacturer is enabled to control to a certain degree the resale prices of his products, he is going to be injured by price-cutting.

On the other hand, through refusing to sell to pricecutters, the concerns selling direct to retailers are able to exercise a degree of control over price-cutting. In the controversy concerning price maintenance and price-cutting, the statement is sometimes made that quantity discounts and maintenance of resale prices are inconsistent policies and that no company granting quantity discounts can logically establish uniform resale prices.

Question

Are quantity discounts and price maintenance inconsistent policies?

Problem 173

PRICE-CUTTING—DISCOUNT POLICY

In the rubber tire business it has been customary for manufacturers to issue customers' and dealers' price lists. The dealers' list is a net list, except for 5% discount for cash. It has been the policy of the industry as a whole to adhere to these price lists, except for jobbing accounts where an additional jobbing discount is given. The Langley Company has uniformly adhered to such a policy. During the recent period, competition has been very keen in the tire industry and the larger companies have had a very hard struggle to maintain their percentages of total sales. Very recently the Langley Company has learned that several of the larger companies have been favoring selected accounts, giving them an extra 10% discount. The problem has been put up to the new management as to the policies to be adopted to meet these tactics.

Questions

- 1. Should the sales manager give the extra 10%, a volume rebate on business for the whole year, a volume rebate on a sliding scale, or adhere strictly to list prices?
- 2. What would be the result of the application of each policy?

PROBLEM 174

PRICE MAINTENANCE

The General Chemical Company is today expending a certain portion of its advertising appropriation for sales and advertising service through the retail grocers themselves, backed by the Ryzon Sales Policy, which is stated as follows:

Ryzon, the Perfect Baking Powder, is priced uniformly to consumers at standard prices quoted on invoices, specified on packages and advertised to consumers, and every effort will be made to standardize such prices.

Accordingly, dealers (whether wholesalers or retailers) who disregard these prices will not be used as distributors of Ryzon.

Ryzon is guaranteed to give satisfaction to consumers.

The sales manager of the company makes the following statement in support of this policy:

- (1) The manufacturer, having established and published a uniform price, is enabled to concentrate upon problems of production, to make the most satisfactory product and make it most economically, with known costs and known income.
- (2) The wholesaler is relieved of speculative trading and serves and is served by being free to develop distribution along economic lines of fair trading.
- (3) The retailer is afforded a fair, uniform, constant profit for the service he renders, based on the movement of the goods and not on his willingness to resort to overstocking, price-cutting or other uneconomic practices.
- (4) The semi-wholesaler (or chain-store dealer) may handle the goods on terms which recognize his large turnover and economical selling methods, and yet prevent him from undermining the trade or service on which the public depends for 90% of its supplies.
- (5) The consumer, because of these economies in manufacturing and distribution, may be supplied with a demonstrably superior product at a uniform price which may be materially lower than other similar less efficient goods.

Question

Was adoption of the policy justified from the viewpoint of manufacturer and wholesaler?

Problem 175

PUBLICITY OF PRICE QUOTATIONS

Particularly during the latter part of the war and later, considerable publicity was given to prices of percales and other cloths in daily newspapers. Since such prices were given out, the National Wholesale Dry Goods Association advised its members to request percale printers to name list prices subject to trade discounts. The following letter was sent to the converters and concerns selling percales:

You are fully aware of the harm done to retail and wholesale distributing trade by the publication in the daily newspapers in cities throughout the country of the mill prices on percales and on well known branded lines of bleached goods.

Therefore, it is felt that if the distributing trade may have the cooperation of the primary market factors by the naming of long prices with discounts it will secure better distribution under more satisfactory conditions, both by wholesalers and retailers.

You understand that in the past when consumers and retailers saw these mill prices they lost sight of the fact that freight, selling expenses and warehouse expenses had to be paid by the wholesaler, and they felt a resentment which was not warranted by the facts.

It will accordingly be appreciated if you will consider this request for a change in the method of pricing, and we will be glad to know whether or not you are inclined to the opinion that the plan of naming a gross price, less trade discount, on percales appeals to you as desirable.

Secretary Fernley and the executive committee have been at work on the matter for some time. One of the difficulties in the way of naming prices on a long basis, when similar cloths go to the cutting and jobbing trades, is that the cutters buy on a net basis and do not want long prices. Moreover, it is questionable in some instances whether the net price basis does not satisfy the largest consumers of the cloths.

The printers have no prejudices in the matter, but they say that even when they refuse to give out prices it simply means that the prices are secured from other channels and more harm than good results. The recent publicity given by daily newspapers to great price reductions is hardly likely to be continued, for the very good reason that minor

price readjustments cease to be news, and do not appeal to the average daily newspaper reader. But when cuts of 50 per cent or more are made all the facts are wanted as news.

The garment trades prefer the quotation of prices on a net basis. The printers themselves have no desire for one price or the other, so they claim, but they say that it is impossible to keep prices secret by simply refusing to give prices to the press.

Question

What should be the attitude, with reference to this request, of the officials of the Longworth and Harrison Company, sellers and converters for several Fall River mills?

Problem 176 Publicity of Costs

Theodore H. Price, at a session of the convention of the National Retail Dry Goods Association, proposed that retail prices be checked periodically with wholesale prices and the percentage of mark-up, including expenses and profit, be told to the consumer. A sales check which bore only the cost of the merchandise, checked to reflect the market in the wholesale field, was an integral part of the proposal. In this way, he declared, the public could be assured that they were receiving their money's worth and that the retailer was passing on to the consumer the benefit of market changes.

It would be evident that my suggestion regarding the sales check contemplates a candid disclosure to both your employees and customers of the percentage of profit you aim to make and the cost of distributing the goods in which you deal. The public does not understand what it costs to conduct a retail business today. They compare retail

prices with wholesale prices, conclude that the difference is profit, and are angered. I think you owe it to the public and to yourself to make it plain that you are not over-charging for the work you do and are not profiteering in the prices you ask, because they must include not only the cost of the goods but 101 other things from telephones to delivery wagons which are necessary in the conduct of an up-to-date retail establishment.

Questions

What should be the attitude toward such a proposal

(a) of the sales manager of a concern producing a grocery staple:

(b) of the manufacturer of women's trade-marked cloaks and suits?

PROBLEM 177

OPEN PRICE ASSOCIATIONS

The sales manager of an asbestos brake lining company has received the following letter:

Dear Sir:

At a recent meeting of the executive committee of the Brake Lining Trade Association, much interest was displayed in a proposition to form an open price association, in the operation of which we shall exchange prices and quotations through the office of our secretary. This secretary will also collect statistics of production and sales and make them available for use at regular intervals.

The plan proposed follows very closely that outlined by Eddy in his book, "The New Competition." Would you take the trouble to look over that book and give us your opinion as to the feasibility of such an association and information as to whether you would be willing to join, if a sufficient number of concerns could be secured?

Very truly yours,

The Asbestos Brake Lining Company is one of a dozen firms manufacturing asbestos brake linings and fabrics. It advertises its product extensively under brands which are now well known. Its prices are usually somewhat higher than the prices for unadvertised goods of a similar character, but it makes special effort to keep the quality of its branded products uniformly high.

Question

What answer should he make to the letter?

Problem 178 Drop-Shipment Policy

Manufacturing concerns, whose goods are distributed through jobbers to retailers, frequently undertake to create demand with retailers by means of advertising and personal solicitation of their own sales forces. has been found that one of the problems connected with the introduction of food or other specialties is the difficulty of getting the dealer to order a sufficient amount to give him more than a perfunctory interest in pushing the product. Consequently, the manufacturers of breakfast food, tobacco concerns, and soap manufacturers have all from time to time engaged in the practice of making drop shipments—meaning, usually, the shipment of a specified minimum amount direct from the factory but billed through the jobber. This means that the jobber takes the credit risk and is compelled to handle a certain amount of the product to fill repeat orders. The inducement for the retailer is usually the prepayment of transportation charges by the manufacturer and, occasionally, a reduction in price or an offer of free goods amounting to a reduction in price. From the view-point of the manufacturer, the drop shipment has the advantage of placing his goods upon the shelves of the retailer in sufficient amounts to insure the interest of the retailer and the satisfaction of consumer demand for a time.

On the other hand, certain jobbers are accustomed to offer a special discount to retailers on drop shipments, justifying their practice by the fact that there is no physical handling of the goods and that their margin is sufficient to warrant making a special reduction to the retailer. From the view-point of the jobber, there is much complaint that the specialty salesmen of the manufacturing concern endeavor to influence the retailer to place his order through this or that jobber, not allowing orders to fall as they might. Certain other abuses have also developed.

At a recent meeting of the National Wholesale Grocers' Association, the following resolution was framed by the executive committee:

In view of the fact that grocery products move to a great extent from the manufacturer to the wholesaler at C. L. rates of freight, it would in most cases be more economical to make drop shipments from jobbers' stocks; and to the extent that economy may be effected by such shipments from jobbers' stocks, the executive committee of the National Wholesale Grocers' Association recommends that drop shipments be made from jobbers' stocks because factory shipments necessarily move over longer hauls at the L. C. L. rates.

Question

What should be the attitude of the local jobber toward this resolution?

PROBLEM 179

CREDIT POLICY-TEXTILE MANUFACTURERS

The Dress Fabrics Buyers' Association, at a meeting in July 1920 adopted the following resolutions:

- 1. In view of the fact that spring business on wool dress fabries is relatively light, we, as buyers, can operate more intelligently if the naming of prices for spring 1922 is deferred until October 15.
- 2. Whereas, we, as wholesalers, and in co-operation with our retail trade, have successfully established private tickets on certain brands of gingham and other fabrics, we believe we are entitled to continue the use of these tickets and should not be deprived of the value of the good will thereby created.
- 3. In order to put all wholesalers on a competitive basis, we request the mills and selling agents to sell their product f. o. b. New York and not f. o. b. mill under terms established as a war measure.
- 4. Whereas, we appreciate the co-operation of the manufacturer in naming list prices on ginghams, we believe he is entitled to have those schedules immediately reflected in all branches of the industry as a basis of true value.
- 5. Whereas, the sale of ginghams on a list basis has been mutually satisfactory to wholesaler and retailer, we believe that the next prices on percales should carry discounts and we take this occasion to thank the mills for their assurance of co-operation to this end.
- 6. Whereas, only certain factors in the market have complied with our former request to restore spring and fall dating on seasonable merchandise, we do hereby re-emphasize the importance of this matter to the wholesaler and renew our request that all mills make provision for granting season's dating when naming price.

Question

What should be the position of the selling agents for a group of mills manufacturing various cotton textiles with regard to the various resolutions?

Problem 180

POLICY REGARDING SELLING ON MEMORANDUM

In the fall of 1920, after the flood of cancelations had subsided, selling houses in the textile trades found themselves with large stocks for which no customers could be secured, because of the inability of anyone to foresee the extent of price reductions.

To assist many customers and keep goods moving, several of the largest houses have adopted the policy of placing goods on memorandum. This immediately led to a sharp difference of opinion as to the wisdom of pursuing the memorandum policy at the time. Some houses always have sold in that way. Others have tried the policy and abandoned it. Some have not used it in any form for a generation or more. One of the large houses adopted memorandum selling in sales of brown and bleached cottons, but not on colored goods. Some stopped short at bleached cottons and would not apply it to percales and wash fabrics. Selling agents for eastern mills were quicker than others to adopt it, but some of the largest eastern concerns would have nothing to do with it at the time.

Those who have adopted the policy recently, likewise many buyers, look upon memorandum sales as a necessary act of cooperation with the distributor at a time of grave uncertainty in financial and merchandising markets. Merely naming still lower prices, it is contended, would mean a further slash at inventory values without giving the buyer any opportunity to recover. Under the practice of memorandum, the title to the goods rests in the seller until a new price is named, and the goods sent on memorandum are charged. In the event of any forced liquidation by the buyer, the goods shipped will not become a part of general liabilities and any money received for them will have the same standing as any sums due for consigned.

Several of the largest eastern manufacturers are aggrieved that the policy became general at this time,

stating that it was an invitation to look for lower prices just as long as the goods ordered remained uncharged. Since one of the prime purposes of the steep reductions in ginghams, percales and other goods was to establish a basis of value for a definite period, it is contended that the memo policy hurts the purpose of constructive acts in merchandising, without giving any promise of stability at any time before the goods shipped are finally priced.

Question

Was selling on memorandum, under the conditions prevailing in the fall of 1920, good policy?

Problem 181

Advertising Appropriation

Late in 1920, *Printers'* Ink, in discussing methods of building an advertising appropriation, stated that the various methods commonly followed in making an advertising appropriation might be described under 11 headings as follows:

- (1) Taking out an insurance policy, in the form of advertising investment, to protect a company's accumulated good will.
- (2) By taking a certain percentage of the sales. Sometimes the sales figures for the past year are used, and in other cases the anticipated sales for the coming year from the basis of computation.
- (3) By an assessment on a certain unit of the product. Here, also, the number of units sold in the previous year or the number of units that is expected to be sold next year, may be used.
- (4) By putting all the money that can possibly be obtained into advertising as an investment in future sales. This

is a demonstration of superior faith in advertising after the principle of casting bread on the waters. Often the investment may be out of all proportion to the immediate sales or profits of the business.

- (5) The budget system.
- (6) By finding out how much advertising it takes to get a new user or a new dealer for a given product and then appropriating enough money to get as many as are wanted that year.
- (7) By investing in advertising to buy inquiries or direct sales. This is the usual mail-order method.
- (8) By ascertaining the minimum job to be accomplished by the campaign, and then deciding on the mediums and the size space necessary to put over the task.
- (9) By appropriating a certain percentage of the previous year's profits.
- (10) According to this plan, it all depends on what competitors are doing. Watch their activities and then set aside enough advertising funds to go them one better.
- (11) A plan that combines the percentage of sales and the budget system. A definite percentage of sales is unfailingly appropriated each year, say 3%. This is placed in an advertising fund. Then an advertising budget is decided on, which is taken from the fund. The budget varies according to the exigencies of the business. It may be more than the amount derived from the percentage of sales, but more often it is less. Where it is less, the difference piles up in the fund for use in those years where more advertising is needed than is provided by the current assessment on sales.

Questions

What method would be suitable for

- (a) A large lumber manufacturer;
- (b) Manufacturer of perfume and toilet preparations:
- (c) Manufacturer of industrial trucks and equipment:
 - (d) Cooperative association of prune growers;
 - (e) Mail-order house;
 - (f) Manufacturer of valves, pipes, and fittings;
 - (g) Manufacturer of trade-marked clothing;
 - (h) Manufacturer of mechanical toys?

PROBLEM 189

Policy of Delivery Dates to Two Distinct Types of Customers Involving Circulation

The Hibbard and White Manufacturing Company. engaged in the manufacture of textile machinery, has located its main sales office at the factory. pany, which has 10 branch sales offices in the eastern and southern textile centers, has gained a reputation throughout the country of always delivering on the dates promised and also of producing finished machines in a far shorter time than its competitors. executives are particularly proud of this record. especially as 50% of each machine that is ordered by their customers is built in accordance with special specifications laid down by their customers. reputation has been gained through the coordination of their production and sales departments, through systematically developing the execution of work in the factory in such a way that the production department sends to the selling organization definite schedules showing delivery dates on different types of machines.

In 1912 the executives of the Hibbard and White Manufacturing Company decided to make their own castings and control this part of the raw material. Accordingly, a foundry was built. Because of the general slump in the industry in 1914 their sales of machines declined, and the production in the factory was curtailed 25 per cent. At this time the superintendent of the foundry, since he did not have sufficient orders to run full time, requested the executives to grant him permission to make contracts with outside firms for castings. This request was granted and the superintendent made several long-time contracts.

During the early part of 1915 the sales of machines came back to normal and the selling organization was convinced, as a result of the increase of orders which they had received from many manufacturers, that in a short period they would be able to secure all the business that they could handle. When the production in the factory returned to a normal basis, the

foundry superintendent notified the production department that it would be impossible for him to fill their orders for eastings because of the contracts that he had with outside firms. He suggested that the time for manufacturing the various lots and sizes of castings, which had previously been determined, be doubled. This meant that whereas prior to 1915 the company could promise delivery of a machine type 20, for example, in three to four weeks from the time an order was taken, under the conditions then existing the promised delivery date would have to be extended to eight weeks.

The sales manager believed it essential that the company continue to produce machines on the old schedule and avoid being placed in a position similar to that of their competitors, who did not make shipment on a machine for eight or ten weeks after the order was received.

Question

Should this company cancel the foundry contracts with outside firms for castings or increase the time allowed for delivery dates?

PROBLEM 183 CANCELATIONS

A certain large sugar-refining company sold to wholesalers during the early part of 1920 a large amount of sugar at prices which were apparently justified by market conditions at the time the contracts were signed. Subsequently, but before deliveries were completed, the market price fell to less than one-half its former level. Many buyers under contract

made requests for cancelation; invariably the refining company refused to accept cancelation, although it made some concession in allowing settlement of balances due to be paid on the instalment plan over a period of 90 days.

Question

Do you consider that the refusal to accept cancelations was the proper policy under the existing conditions?

Problem 184

Policy as to Cancelation Clause and Requiring Signed Orders

The credit methods committee of the National Association of Credit Men has made a report recommending that salesmen should be given the following instructions before being sent out to solicit orders.

- (1) Get the order signed by the buyer or an authorized agent.
 - (2) Order forms should contain a cancelation clause.
- (3) If the terms of the contract are set forth on the back of order blank the following statement should appear above the signature of the buyer: "Please ship the above goods subject to the terms set forth on the reverse side of this order blank."

The report urges that the following slogan be adopted in an effort to prevent cancelations: "Your order is your word of honor. Protect it."

Steps will be taken to give the slogan widespread publicity among the retailers.

Questions

1. Should the salesmen of the American Tobacco Company be given such instructions if they were sent out to introduce a new brand of smoking tobacco?

2. Is enforcement practical for the Stamford

Grocery Company, local wholesale grocers?

3. Should a Maine canner issue such instructions in connection with his sales to wholesalers for future delivery?

PROBLEM 185 POLICY AS TO CLAIMS AND ADJUSTMENTS

The Whitcomb Tire Company offers a guarantee that its fabric tires will render 6,000 miles of service and its cord tires 8,000 miles. The salesmen are instructed neither to make nor suggest adjustments of this guarantee. When the question is brought up to them, salesmen are instructed to refer adjustments to the adjusting department.

The adjusting department has made the following

rules:

(1) Tires for adjustment must be shipped, transportation prepaid, to factory or nearest branch.

(2) Adjustment will be made on basis of mileage

unobtained under the guarantee.

(3) No adjustments will be made on cases which have been misused, overloaded, injured by accident, or exposed to injurious substances.

As compensation for handling adjustments, whole-salers are allowed a merchandise credit equal to 10% of the amount of the adjustment.

Question

Is this adjustment policy conducive to development of business?

PROBLEM 186 RETURNED GOODS POLICY

The Lovell Grocery Company, operating a wholesale grocery concern in southern Indiana, has experienced considerable loss through returns for which no satisfactory cause was assigned. The manager finds upon examination of the question that policies regarding returned goods vary among grocery concerns. One large wholesale grocery company concerning which information has come to him informed its salesmen about two years ago that they would not permit any merchandise to be returned without first giving the kind of merchandise, the date of purchase, and the reason for wishing to return. Upon investigation of complaint, the retailer is informed that he is authorized to return the goods, if the opinion of the officers of the company is that he is entitled to an adjustment. In the city, drivers have positive instructions to bring nothing back without authorized return sheet from the office. While some exceptions are made, enforcement of the rule has reduced unwarranted returns to a minimum.

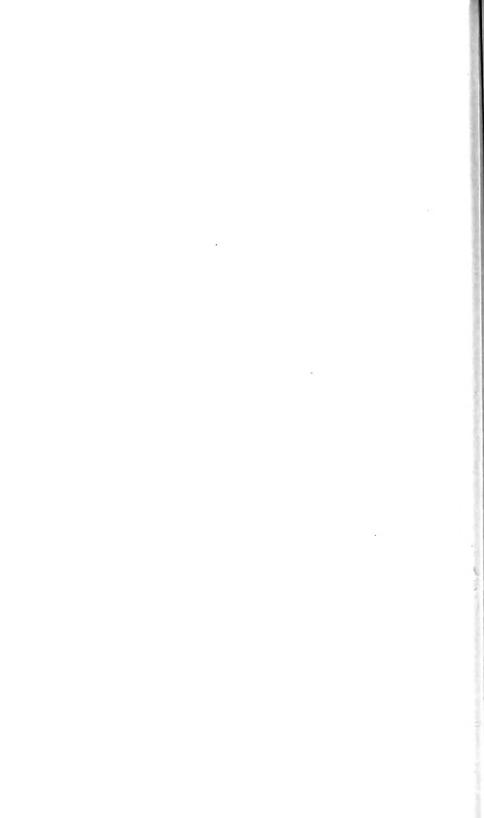
Another makes a deduction of $10^{C_{\ell}}$ for handling charges, covering the cost of return of goods which have been returned without any reason for which the jobber is responsible. The jobber naturally expects to make good if goods have been damaged in transit, spoiled upon receipt or within the usual six months' limit. However, upon goods for which there is no guarantee of sale, the goods are not accepted for return. This house proposes, further, that spoilt canned goods should not be returned, but that salesmen, when visiting customers, should lift the labels when the goods are under the guarantee period, and that these labels shall constitute proof of the spoilage, entitling the merchant to deduction. In this way, the freight charges upon spoilt goods are avoided.*

Question

Which of the two plans should be adopted?

^{*}Bulletin, National Wholesale Grocers' Association, May, 1921.

PART V SALES METHODS



PART V

SALES METHODS

OUTLINE

- A. Selection and Management of Means of Selling.
 - 1. Considerations affecting choice of selling methods.
 - 2. Personal solicitation, advertising, correspondence as means of effecting sales.
 - Forms and amount of personal solicitation to be used.
 - (a) "Regular" salesmen.
 - (b) Special types of salesmen such as "missionary" salesmen, specialty salesmen, canvassers, service men.
 - 4. Forms and amount of advertising to be used.
 - (a) Area to be covered.
 - (b) Media: Periodicals, newspapers, house organs, special types.
 - (c) Appeals.
 - 5. Correlation of advertising personal salesmanship and correspondence.
- B. CREATION OF CONSUMER DEMAND.
 - Advertising as a means of creating consumer demand.
 - (a) Use of advertising by manufacturer of articles sold to consumers.
 - (b) Use of advertising to create consumer demand by manufacture of semi-manufactured article or raw material ordinarily not sold to ultimate consumers without further manufacture.
 - (c) The distribution of advertising matter.
 - Personal solicitation of retailers or consumers by manufacturers' representatives when product is sold through middlemen.

314 PROBLEMS IN SALES MANAGEMENT

3. Samples as a means of creating consumer demand.

As an aid to selling. The distribution of samples.

1. Good will of consumers. Methods of creating and retaining good will. Relation of good will to sales efforts.

C. Selection of Distributors to Handle Product.

- 1. Selection of exclusive agents, retail or wholesale.
- 2. Selection of dealers who are not given exclusive agencies.

D. Sales Contracts.

- Contracts with exclusive dealers, jobbers and retailers.
- 2. Contracts with wholesale consumers.
- 3. Contracts involving sales of raw materials.

E. Cooperation with Distributors.

- Methods of cooperating with wholesalers or jobbers.
- 2. Methods of cooperation with retailers.
- 3. Creating and manufacturing dealer good will.

F. MEETING COMPETITION.

- Methods of meeting competition of competitors. Sales strategy.
- 2. Meeting competition of raw products or substi-
- 3. Methods of meeting competition of newer types of retailers, who engage also in manufacturing or wholesaling.

G. HANDLING INQUIRIES.

- Handling general inquiries from main and district office.
- 2. Follow-up of inquiries when sales are made direct.
- 3. Follow-up of inquiries when sales are made through jobbers and for retailers.

H. HANDLING CANCELATIONS, RETURNED GOODS, CLAIMS AND COMPLAINTS.

GENERAL QUESTIONS*

A. SELECTION AND MANAGEMENT OF MEANS OF SELLING

In introducing a new product or developing the sales of a product already on the market, shall advertising or personal solicitation be used or a combination of the two?

What forms of personal solicitation should be used?

Should regular salesmen be employed to solicit orders from prospects? Should non-selling or missionary salesmen be employed in conjunction with regular sales or as a means of cooperation with distributors?

What forms of advertising should be used? Should the advertising be local, territorial, or national? What media should be used?

Should a house organ be used as a means of advertising?

Should a catalog be used? If so, what should be its form and how should it be prepared?

How can personal solicitation and advertising be combined to produce greatest selling efficiency?

B. Creation of Consumer Demand.

Should advertising be used as a means of creating consumer demand? If so, how should selling points be presented?

Is it advisable for a manufacturer whose products are sold to be incorporated in other manufactures to attempt to create consumer demand by advertising or otherwise?

When selling through jobbers, is personal solicitation of retailers through manufacturers' salesmen profitable?

When should samples be used as a means of creating demand? How should samples be distributed?

Can the value of consumer good will be measured?

C. Selection of Distributors to Handle the Product.

How shall distributors be selected by concerns which have adopted the exclusive agency plan?

Does the manufacturer derive advantage from advertising his product as "sold only by the best dealers"?

D. Sales Contracts.

Under what conditions is it advisable to use sales contracts? What should be the terms of an exclusive contract between a manufacturer and his retail distributors?

What should be the terms of a contract between a manufacturer whose goods are sold primarily through dealers with a large consumer to whom the company sells direct?

What should be embodied in the contract between the producer of a raw material for manufactures and wholesale consumers?

E. Cooperation with Distributors.

How can the manufacturer cooperate with the wholesalers through whom he sells to secure their interest in pushing his product?

What methods may be used to inform jobbers' salesmen of the talking points of the manufacturer's product?

Under what conditions is it necessary and advisable for the manufacturer to cooperate with dealers in selling the product? What form should this cooperation assume?

What arrangements should be made to induce retailers to advertise a product locally? When is it advisable to undertake educational work among dealers? How can educational work be carried on without losing dealer good will?

F. MEETING COMPETITION.

What plans may be used to meet the competition of other manufacturers in the same line?

What methods may be used to meet the competition of substitutes?

What methods may be used by wholesalers to meet the competition of the newer types of retailers?

G. HANDLING INQUIRIES.

How should general inquiries from main and district offices be handled?

How should inquiries resulting from advertising, when sales are made direct, be followed up?

How should inquiries resulting from advertising, when sales are made through jobbers and retailers, be handled?

H. HANDLING CANCELATIONS, RETURNED GOODS, CLAIMS AND COMPLAINTS

Under what conditions should exceptions be made to the general policy in regard to handling cancelations?

How should returned goods be handled?

Who should be responsible for the handling of claims and complaints? What procedure should be adopted?

PROBLEM 187

INTRODUCING A NEW BRANDED SHOE

The Brayton, Burleigh, and Stanwood Corporation has manufactured shoes in Brockton for a period of 22 years. The plant has a daily production capacity of 2,400 pairs; the total production in 1920, of which 35% were women's shoes, amounted to 540,000 pairs. These are divided up among the two principal brands marketed by the company, called the Brayton and Stanwood brands, and the private and unbranded as follows:

Brayton Brand	40%	232,000	pairs
Stanwood Brand	40%	232,000	
Private Brands	15%	87,000	4.4
Unbranded	5%	29.000	4.4

The total sales for 1920 amounted to \$4,435,600. The Brayton brand of shoes is the same as the Stanwood brand in quality and style, the brand name having been purchased from the original owners a few years ago. Prior to that time, it had been on the market over 40 years. The women's shoes are of standard, medium grade, little attention being paid to any except major style changes. The company sells shoes to

^{*}Descriptions of methods used in selling are to be found in almost every business and trade periodical and in books without number, but there are comparatively few careful analyses of sales methods. Students are referred to J. G. Frederick, Modern Salesmanagement, D. Appleton and Company; A. W. Shaw Company, Selling Series, Organizing for Increased Sales; J. G. Aspley, Modern Sales Management Practices, Dartnell Corporation; A. W. Douglas, Traveling Salesmanship, Macmillan; A. W. Douglas, Merchandising, Macmillan; C. F. Higham, Scientific Distribution, London; articles in Printers' Ink, Sales Management, Sales Manager, Industrial Management, System, Factory, Advertising and Selling, and various trade journals.

retailers, giving exclusive agencies for its own brands and being in a position thereby to supply two retailers. in the same town. Unbranded shoes and shoes under private brands are likewise sold direct to retailers. The advertising of the company is limited to the shoe trade papers, and some of the conventional dealer helps such as window and counter eards brand tags and blotters which have been distributed to retailers. The company employs 25 salesmen, who are paid a flat rate of 6^{e_f} on sales. Guarantees, however, at times have been given to tide salesmen over dull periods. It is the policy of the company to hire only experienced shoe salesmen and to allow these to operate on their own initiative, handling the trade as they see fit. No distinct sales districts have been organized and as a consequence there is considerable overlapping of salesmen's territories. Distribution figures by sales districts cannot be secured, but the following list gives the number of active accounts in each state:

Albama 54	Nebraska	. 16
Arizona 16	Nevada	
Arkansas 60	New Hampshire	
California 90	New Jersey	
Colorado 8	New Mexico	. 10
Connecticut	New York	
Delaware	North Carolina	
Dist. of Columbia	North Dakota	
Florida 30	Ohio	
Georgia	Oklahoma	
Idaho 8	Oregon	. 10
Illinois	Pennsylvania	
Indiana	Rhode Island	. 4
Iowa 4	So. Carolina	
Kansas 6	So. Dakota	
Kentucky	Tennessee	66
Louisiana 70	Texas	300
Maine 40	Utah	-10
Maryland	Vermont	8
Massachusetts 16	Virginia	36
Michigan	Washington	48
Minnesota	West Virginia	
Mississippi	Wisconsin	40
Missouri	Wyoming	
Montana 16		

The president of the Brayton, Burleigh and Stanwood Corporation contemplates introducing a new line of men's high-grade shoes under a new brand name. This is to be added to the medium-grade lines. A number of questions arise.

Questions

1. Is the time opportune for introducing a new line of men's shoes?

2. What difficulties will be encountered in establish-

ing a new branded shoe?

3. Assuming that it is decided to undertake the introduction of the line, how should the sales manager go about preparing the campaign?

4. Should the regular salesmen be used to introduce

the line?

5. Since not more than \$20,000 is available for advertising, what media should be used and to whom

should the appeal be made?

6. Since neither the capacity of the factory nor the resources of the concern permit of intensive effort over the entire United States, should efforts be concentrated on any particular territory?

(a) If so, where?

PROBLEM 188

Correlating Advertising Campaign with Personal Salesmanship

The Walden Company manufactures a line of high-quality work garments in its plants located in central New York. In 1920 the company began advertising on an extensive scale, using the bulk of its appropriation of \$100,000 in *The Saturday Evening Post* to introduce a one-piece garment, aiming to create consumer demand as a means of influencing retailers to provide proper distribution.

For the year 1921 the advertising campaign plans

were as follows:

- (1) Extensive newspaper advertising, 17 full-page insertions in the New York Journal, Philadelphia Ledger, Boston Globe, Baltimore Sun, St. Louis Post Dispatch, St. Paul Dispatch, Pioneer Press, Chicago News, Portland Journal, Seattle Times, Detroit News, Cleveland Plain Dealer, Buffalo News, and Pittsburgh Press; 13 full-page insertions during the year in the San Francisco Examiner, San Francisco Bulletin, Minneapolis Tribune, and Minneapolis Journal.
- (2) Extensive advertising in farm papers; 6½-page insertions in the *Country Gentleman*; six 3-column insertions in 28 of the leading farm papers.
- (3) Advertisements of children's garments in the May and June Woman's Home Companion, Ladies' Home Journal, Delincator, Good Housekeeping.
- (4) Advertisements in general and trade publications; small space monthly in *Popular Mechanics*; six full-page insertions in *Accessory and Garage* in the spring and fall; six insertions in *Automobile Dealer and Repairer*; four insertions (April, May, September, and October) in *Motor*.

The advertising plan includes also the following material for direct advertising to dealers: envelop-stuffers, 5x10-inch display signs for dealers' stores, posters for tacking and counter signs (two grades), window cards in four designs, reproductions of oil paintings, small cutouts of trade-mark. Outdoor advertising is provided by billboards in larger cities. The farm paper advertising is generally concentrated in March. April, May, August, September, and October.

Questions

1. What plans should the sales manager make to be sure that the house gets the full benefit of the advertising campaign?

2. What methods may be adopted for developing cooperation of salesmen in distribution of advertising

and dealers' helps?

Problem 189

MISSIONARY SALESMEN

The Randolph Saw and Tool Company, of Baltimore, Maryland, is a large producer of saws and builders' tools. The company is an old, established one, and its products are widely distributed. A campaign of national advertising has been carried on for a number of years, both in general periodicals to reach consumers and in trade periodicals to influence dealers. Most of its product is sold to hardware jobbers by five salesmen who cover the entire country.

In addition to the salesmen calling upon the wholesale trade, the company maintains a force of twelve demonstrators who go direct to the retail hardware stores. These men take orders to be filled by the wholesaler with whom the retailer wishes to do business. The order is made out in three copies, one copy going to the retailer, one to the Baltimore office, and the third to the wholesaler. These missionary salesmen give especial attention to the new lines of the company and to those which the jobbers neglect.

The Bross Hammer and Tool Company, located in the same city, manufactures and sells lines, with the exception of a few items, which are non-competing. specializing on hammers, which the Randolph Company does not manufacture at all. The Bross Company, like the Randolph Company, has conducted a national campaign of advertising in general periodicals and trade journals, while the same channels of distribution are used in marketing its products. Similar to Randolph, the Bross Company maintains a force of missionary salesmen, but their method of working is somewhat different. Instead of going direct to the retailer on their own initiative, the force of from seven to ten men work with the jobbers' salesmen in calling upon the retail trade, thus striving to aid them and arouse in them an enthusiasm for Bross products, as well as to stimulate the retailer.

The sales managers of the two companies are close friends and at frequent intervals have conferred with the thought of determining which practice would give the best results.

Question

What are the arguments for each method?

Problem 190

Pooling Force of "Missionary" Salesmen

Although many manufacturers of identified goods sell through jobbers or other channels, so that in the ordinary course of business they do not come in direct contact with the retailer who reaches the consumer, yet many concerns have found it advisable to establish connections with the retailer in various ways. Advertising is commonly used, but certain concerns make it a practice to have salesmen, often called "missionary" salesmen, call upon retailers at intervals in order to

push the goods of the manufacturer, which will ordinarily receive only a small share of the attention of the jobber or wholesaler. Usually orders are taken and turned over to the jobber, who receives his margin upon such orders. At other times, the representatives of the manufacturer do not take orders, their purpose being solely to build up good will and help the retailer move the goods which are delivered through the jobber.

A prominent talking-machine company has a complete staff of representatives, whose work is of good service to retail agents. These phonographs are sold through distributors in various parts of the country, who maintain traveling salesmen to sell to the retail dealers. These jobbers' salesmen call upon the trade every month. The manufacturer's salesmen call upon the trade at irregular intervals. Well-known soap companies, handling advertised brands, have made it a practice to sell direct to the retailer, turning the orders over to jobbers as directed by the retailer. The same plan is followed by tobacco companies.

It is claimed that the use of salesmen for specialties is wasteful, and a plan has been put into operation in one eastern city whereby 23 firms cooperate in maintaining a selling force to cover the particular territory. The company, which is called the Co-operative Sales Company, is initiated by the wholesale interests for the purpose of pushing advertised grocery products of particular companies. The objects of the Sales Company have been stated as follows:

- (1) To be in a position to offer manufacturers a large and closely controlled selling force calling on the retail trade at least once in two weeks, and more often once a week, knowing their trade better than any other salesman can know.
- (2) To do business only with loyal manufacturers, who are ready to cooperate to an extent at least where the individual retail grocer can compete on an equal basis with the chain stores, always considering whether his business is done for eash or with service. To support wholeheartedly such manufacturers.
- (3) To obtain the cooperation of wholesale grocery salesmen by showing them a line of different kinds of merchandise

which carry a reasonable profit and on which the retail customer may also make a satisfactory margin.

- (4) To obtain through the wholesale grocery salesmen the interest and support of the retail grocers in sales company products.
- (5) To discourage missionary work on merchandise which has 100% distribution.

Briefly the method of operation of the Cooperative Sales Company is as follows:

Any wholesaler in the territory may become a member of the company, which is simply a purchasing organiization working under a broker's license. It makes arrangements on the best terms it can with one manufacturer of each type of grocery product. Since nearly half of the wholesalers in the community are buying through the company, large quantities can be purchased at any one time. As a result, quantity discounts can be obtained and likewise, such a brokerage fee as a manufacturer is willing to give, which varies from 107 to 1007. All discounts retained by the Sales Company are passed on to the buying members, the only charge being 1°, commission to defray expenses of ordering and billing. Members must pay for merchandise within seven days so that the Sales Company can take advantage of cash discounts.

The members are supposed to give the products of those manufacturers who sell to the Sales Company preference, and it is only to their interest to do so since they receive such favorable terms. Each wholesaler must of necessity carry the brands of competing manufacturers, but where a retailer has no preference for brands the goods of the manufacturer dealing with the Sales Company are shipped. Moreover, the wholesalers' sales forces are instructed to recommend the preferred products.

(a) In 1920, the Rogers Soap Company, of Boston, which manufactures laundry and toilet soaps with a national distribution, was invited by the Cooperative Sales Company to give up missionary sales work in the territory covered by the Sales Company and obtain the

special representation offered by that company's members. A brokerage fee of $2C_{\ell}$ was asked on all purchases made by the Sales Company in addition to the usual quantity discounts. It was explained at the time that the Cooperative Sales Company represented in its membership approximately $50C_{\ell}$ of the wholesalers in that territory. The methods and purposes were outlined as above.

Question

What should have been the action of the management on this invitation?

(b) In July, 1920, the president of the Cooperative Sales Company approached the manager of the Atwood Wholesale Grocery Company, one of the large wholesalers of the district who had not entered the organization. He was asked to recommend to the board of directors of the Atwood Company that it join the Cooperative Sales Company. Only a nominal outlay of capital was required.

Question

What should have been the action of the Atwood management upon this invitation to join the organization.

Problem 191

Pooling of Sales Forces

Georgia jobbers, like those of several other states, are experiencing much annoyance because of the rapid development of chain stores. On the basis of experience in Baltimore, Philadelphia, Boston and other places in cooperation among grocery houses in buying, warehousing, and sales promotion, they have expressed

their opinion that the only answer is an increase in jobbing efficiency and the most direct way to produce this is through the pooling of purchasing and sales activities.

In Macon, for instance, are nine jobbers, each buying in lots calculated to meet his own limited output and each traveling salesmen throughout the same retail field. The result is that there are nine warehouses and nine sets of salesmen, whereas in a territory of that size one common stock in a cooperative warehouse would be sufficient and one set of salesmen adequate to make all the necessary calls for the retail trade; the net result being a reduction of overhead that would permit lower prices.

Macon wholesalers think that this is not only true of Macon, but also of broader territory throughout the state. According to their plan, they would not only have the nine houses cooperate, but actually merge, so that there would be one jobbing house functioning

with its overhead at the minimum.

Questions

- 1. As the manager of a wholesale grocery, would you favor pooling sales forces?
 - 2. If so, on what conditions?
 - 3. What workable arrangement might be suggested?

Problem 192 Distributing Flour

The Bingham and Wright Company, of Dayton, Ohio, operates a small flour mill with a daily capacity of 500 barrels. Freight rates shut off the markets to the West; but, because of the milling-in-transit privilege, profitable markets to the east of Troy extending to the coast are available and on an even basis with Kansas City and Minneapolis mills.

Both branded and unbranded flour is sold by the company. At the present time there seems to be no definite policy as to channels of distribution or advertising. Flour is sold direct to large consumers, to retailers, to jobbers, and through brokers, as orders fall.

Questions

- 1. Should the policy of selling to all classes of buyers be continued indefinitely?
 - (a) If so, under what conditions?
- 2. What would be the best way to introduce branded flour in New England territory?

PROBLEM 193 DEMAND CREATION

The National Canners' Association, consisting of the majority of the leading canners of America, has adopted a plan to inspect and certify as to quality all canned goods produced by manufacturers who are willing to pay a small sum per case for such service. At the same time, by a concerted drive on the billboards, through the newspapers and magazines, together with special window displays, the canners intend to drive home the various selling points of goods produced by their members.

Question

How should a member of the association, a canner of vegetables located in Maine, tie up with this campaign?

Problem 194 Mailing-Lists

Experience shows that generally the salesman who is directed to leads and prospects is able to cut down the cost of selling materially as compared to the salesman who makes a cold canvass without any particular leads.

The methods of securing lists of prospective purchasers vary widely from enterprise to enterprise; in fact, getting a prospect develops, particularly in times of depression, into a very serious problem for any concern with a sales problem that is at all difficult. Press-clipping bureaus giving news of fires, promotions, births, deaths, business expansion, records of new incorporation, business changes, sifting of new orders and inquiries, cooperation with salesmen in related lines, cultivation of all customers to secure their recommendation for new customers, postal inquiries and questionnaires, coupon schemes and advertising, trade and general directories, building reports and services are among the many sources of prospects.

Questions

- 1. Suggest methods by which the manufacturers of the following may secure lists of prospective purchasers to whom salesmen might be sent:
 - (a) Breakfast food.
 - (b) High-grade perfume.
 - (c) Addressing machines.
 - (d) Automatic stokers.
 - (e) Graphite electrodes for electric furnaces.
 - (f) Business filing equipment.
 - (g) Rolls-Royce automobiles.
- 2. What combination of advertising and personal salesmanship would be most effective in each case for developing leads?

PROBLEM 195

DISTRIBUTING MANUFACTURERS' SAMPLES

The Burns Company formerly made it a point to insert an offer of samples in all its advertising. This was discontinued at the opening of the war. At that time, they sold a small size to the Five and Ten Cent Stores. The success of this venture gave them the idea that the five and ten cent stores should be considered by manufacturers as a means through which samples might be sold and distributed.

Question

Do you think that the manufacturers of Polarine Automobile Cup Grease, Burnett's Vanilla, or Crane's or Whiting's Correspondence Paper should adopt this plan of reaching the public with samples?

Problem 196

ADVERTISING TO REMOVE PRICE COMPETITION

The Dole Company, manufacturing and selling art novelties, chiefly tinsel merchandise such as tinsel ribbon, rope, and string, and Christmas-tree decorations, as a rule sets the price upon its products at the beginning of the year for the whole year. In the recent period of fluctuating prices, the wide variations in prices of materials and labor raised the problem of a guarantee of price to customers. The company has guaranteed to the dealer the current price at date of shipment and has even gone so far as to agree to meet the prices of competitors. As orders come in at the early part of the year, the company manufactures against these and ships to the customers with invoices post-dated. No uniform post-date custom is followed. Each customer is treated separately and the company secures the earliest post-date payment possible from

each. The terms are $2^{e_{\ell}}$ 10 days from date of invoice, while an anticipatory discount at the rate of 8% per year before the date of invoice is allowed. The company maintains a regular price list, from which discount is allowed to jobbers. This discount will also be allowed to retailers if the quantity of business they have seems to justify it. The granting of such discount is left largely to the discretion of the salesman, although the company reserves the right to disavow any discount that he may make.

Questions

- 1. Although the Dole Company has an established, trade-marked line and 70% of its product bears the brand, it has not been able to take its product off the price basis.
- 2. Is it possible for the company to become independent of price competition by means of consumer advertising?

PROBLEM 197

SELLING A HIGH-PRICED HOUSEHOLD APPLIANCE

The Hamilton Beach Carpet Washer Company manufactures a carpet-washing machine, the purchase price of which is \$285. The company realizes that this is more than the average householder can afford to pay for it.

An analysis of the sales field showed two prospective buyers—the home and the institution. The home presented a discouraging prospect; first, because it was a field of such tremendous extent; and, secondly, because so few homes could afford to purchase it. An investment of \$285 in an article, which would not be used more than once a month, is not sound economically for homes of average, or even better than average, incomes. On the other hand, the institution presented a splendid field, but a limited one.

Question

What should the company do in order to place its product upon the market?

PROBLEM 198

INCREASE OF SALES FORCE

The Eldred Food Company, manufacturing a line of baked goods, biscuits and crackers, has recently enlarged its production facilities. The sales manager says that when the new factory was built no immediate outlet for increased production was allowed for, but that present demand seems to justify such expansion. The company's market during 1920 was national in scope, the bulk of sales, however, being made east of the Mississippi. The problem now confronting the sales manager is whether to increase his sales efforts in all territories through the addition of salesmen or to concentrate in New England, adding to the New England sales force while leaving the sales forces in the other territories as they have been. It is proposed that newspaper advertising be used in large cities of New England to supplement the efforts of salesmen, provided decision is made to concentrate.

Question

Which plan is to be preferred?

PROBLEM 199

Securing Distribution Through Wholesalers in Competition with Private Brands

A small concern engaged in roasting coffee secured fair distribution in limited territory for its brand through its own salesmen. After a time, examination of his accounts forced the head of the firm to the conclusion that his line was not heavy enough to justify maintaining his own sales force to approach retailers direct.

He then began distributing through wholesale houses. Each jobber pushes a private brand of coffee, apparently to the detriment of this roaster's sales. As a matter of fact, this coffee roaster has been steadily losing in percentage of distribution in spite of consumer advertising. His conclusion that he cannot maintain a sales force of his own seems to be sound. Every available wholesale outlet channel is clogged by private brands.

Questions

- 1. How can be economically get and hold distribution?
 - 2. Would a modest advertising campaign help?
 (a) If so, what media should be used?

Problem 200 Selecting Dealers

In the distribution of many lines of goods, sales managers feel that through greater efficiency, greater volume of sales and increased good will can be secured, by careful selection of dealers rather than by indiscriminate sales to dealers, so long as they comply with the elementary conditions regarding credit risk and pushing of product. While some houses sell to all retailers who choose to buy, they may give their best

cooperation, in other words work hardest to secure the continued patronage, of one or two.

For instance, a very large jobbing house which sells by catalog will sell to any type of dealer of sufficiently high credit standing. At the same time, a special retail sales service is offered to a selected list of customers, based upon the reports of visitors sent out by the firm. The selected dealer in each town may not be the best, but he is always one with whom cooperation will be welcome and have a fair chance of bringing results. It is acknowledged that in this case there is no particular prestige attached to the "best stores" idea. The house handles and sells some 40,000 items of merchandise.

On the other hand, such a concern as Hart Schaffner & Marx, with its advertised line of men's clothing, or the H. Black Company, with its advertised line of women's suits and cloaks, must adopt somewhat different bases for the selection of representatives, particularly since they have chosen the policy of exclusive representation.

It is obvious that at any one time it would be impossible for any manufacturer to get the biggest and best retail men's clothing or retail dry-goods store in every town; and very frequently this would not be desirable, even if possible, for the reason that the leading dealer in each town, may not be receptive to new ideas. Consequently, the policy has been adopted with the stores to which they have given representation of endeavoring to build them into high-class stores, so that both dealer and company benefit by the class of the store in the community.

Questions

- 1. What plans should be adopted for the selection of dealers for a concern manufacturing a widely advertised kitchen cabinet?
- 2. Prepare an instruction sheet for the salesmen of a Troy collar manufacturer, which can be used as the basis for the selection of dealer representatives.

PROBLEM 201

BUILDING DEALER ORGANIZATION

The Peerless Truck Corporation started business seven years ago. The corporation tried for a while to sell its trucks through the regular channels, as they then existed, but found that these methods were not successful. Dealers would contract for, say, 300 trucks to be delivered during the year; they would sell, perhaps, 10. When the company approached them in regard to fulfilling their contracts, they refused to live up to them.

The new sales manager declares that the truck corporation should build up its own dealer organization. The problem before the company is to build an organization, but there is a question as to whether mechanical ability and knowledge of trucks or general business and selling ability shall be made the paramount requirement. It is proposed to select the branch managers and to make them responsible for the building of the sales and dealer organizations in their districts.

Question

Is this proposal a practical one?

Problem 202 Developing Good Will

A wholesale grocer located in St. Louis is at the present time engaged in a large advertising campaign by which he is doing his utmost to influence the consumer to trade with his neighborhood grocer, pointing out to the consumer in the best way he can the importance of patronizing the local grocer. The object of the wholesaler is to do all that is possible to help the retail grocer not only to increase his sales, but also to protect

himself against the inroads of chain stores. The wholesaler admits he finds it difficult to get strong, impressive arguments to use in his campaign.

Question

Is the wholesaler justified in carrying on such an advertising campaign as a means of increasing his own sales immediately or ultimately?

PROBLEM 203

DEVELOPING GOOD WILL OF DISTRIBUTORS. HOUSE ORGANS

The Hoyt Phonograph Company at the opening of the war took stock of its distributing organization and found that its product was sold by various types of stores, ranging from recognized, well-established dealers to barber shops and irresponsible dealers. In fact, it seemed that any dealer or anyone who had the \$200 or \$300 necessary for investment in a machine or two could secure agency and carry on business in this particular product. The contracts with the dealers have been engineered mainly from the central office in New York; district offices have had little to do with the actual making of contracts with dealers.

It was felt by the sales manager, when this was brought to his attention, that the prestige of the Hoyt phonographs was being injured by such indiscriminate representation, and it was resolved to begin a process of selection which would bring it about that the type of dealer would add rather than detract from the prestige of the product. Fortunately, war conditions and war prosperity brought about a very great increase in the demand for phonographs, and it was possible, without immediate loss of sales, to carry out this process of selection by the simple means of filling orders only for those dealers whose patronage was considered desirable. While this was being done, a constant campaign of education of the dealer in methods of selling, in window

displays and methods of finding prospects was carried on. In fact, the dealer who wanted to handle these phonographs was compelled to be "educated" by the

company.

(a) Things seemed to go along well enough until the sudden change from sellers' to buyers' market. Sales resistance began to develop rapidly, and it was finally discovered that the educational program had not been tactfully handled, that the dealer was willing to accept some of this "education" when he needed the goods badly, but resented the attitude which seemed to be implied that outsiders knew his business better than he himself did.

The development of the Hoyt business depends in large measure upon building up good will among dealers.

Question

What should the sales manager do in order to accomplish this purpose, while still retaining the essential features of the educational campaign?

(b) Up to this time the Hoyt Company had issued two types of house organs: one, which went to salesmen; the other, an internal or employee paper.

Question

Could either of these, or an adaptation of them, have been used to advantage in the plan of dealer education?

(c) From the standpoint of physical make-up, house organs may be classified thus: blotters, newspapers, magazines, booklets, envelop inclosures, novelties.

Question

Provided that a house organ was to be sent to dealers, which type would seem under the circumstances to have been best suited to the purposes of the Hoyt Company? What, in a general way, should have been included in the house organ?

PROBLEM 204

RETAINING GOOD WILL OF DISTRIBUTORS DURING CHANGES IN POLICY

The Hawkins Company, of Milwaukee, manufactures a widely advertised, branded work shoe. company decided, late in 1920, to sell its goods direct to consumers in competition with the retailer. dance with this somewhat radical decision, all its road salesmen were called in at the first of the year 1921 and were informed that their services were no longer required as salesmen. Then the company sent letters to its 14,000 retail dealers, telling them it would go after the local market itself by lowering retail prices and taking orders direct by mail. If, under these circumstances, the dealer still wished to carry the company's shoes in stock, the company would sell him subject to It developed that more than the new conditions. 8,000 retailers accepted the company's terms.

The decision as to distribution policy is said to have been brought about by the flood of cancelations from which the company suffered, in common with most other manufacturers, in the latter part of 1920. The company felt that the retailers had generally not been fair to the company in attempting to throw the whole burden of readjustment upon the manufacturer. Five or six months later, the officials of the company decided that selling by catalog involved too great cost per

inquiry and that the service rendered by retailers was

worth all the customers were asked to pay for it.

The company now plans to go back to its former plan of distributing through retailers, although it has under consideration a plan for forming a chain of shoe stores in towns adjacent to Milwaukee.

Questions

- 1. Write two letters to be sent to the retail trade announcing the changes in policy; the first announcing decision to sell to consumers; the second announcing the change to former methods.
- 2. What problems are involved in the plan of establishing a chain of retail stores?

PROBLEM 205 RETAINING GOOD WILL OF DEALERS

Many manufacturers, during the latter part of 1920. found themselves overwhelmed with cancelations and returns which developed stock and inventories all out of proportion to the usual requirements of the business. Since there was no prospect of a rise in price in the immediate future, manufacturers attempted to dispose of their goods at once; frequently, they were not able to dispose of them through the ordinary channels. For some lines of goods auctions were held; for other lines, manufacturers went direct to consumers, hiring temporary space in retail districts and selling at prices lower than those maintained by the regular retailer. Disregard of the usual channels of distribution gave rise to a good deal of friction, and one of the problems of every company, which attempted to dispose of its goods in unusual ways, was that of regaining the good will of distributors whom it expected to sell in subsequent seasons.

A large packing company, distributing its goods ordinarily through brokers and wholesalers, undertook to sell in case lots to consumers and sent out to an enormous mailing-list circulars offering the goods at prices considerably lower than those prevailing in retail markets. A large knitting company in the center of New York State took space in the newspapers, offering reduced prices to consumers of underwear. It appeared that the company had always sold through the regular channels, and considerable criticism was aimed at it because of this particular move on the ground that it would alienate the interests of retailers and wholesalers. In answer, the company published the following:

To accomplish one's object and purpose is gratifying, and while the retailer may not view it in the same light as we do, we feel certain that the public will.

For several months past we have offered our surplus stock of men's and women's underwear to our regular jobbing trade, but without results, and were informed by them that they were unable to make further purchases because the retailers not only refused to buy, but instead were canceling orders previously placed and returning those already delivered, the retailers claiming the prices were too high and must come down.

Prices did come down, but the retailer made no material reduction to the consumer. On the contrary, in one instance, the head of a large retail organization issued a statement that the public should not expect lower prices until their stocks owned at top prices had been liquidated. This action was certainly inconsistent with their attitude toward the jobbers and manufacturers, so we decided to take a step toward helping the consumer, which step we knew would make the retailer "wake up" and thus perhaps result in our accomplishing our purpose.

Inasmuch as our mill is situated in Groton, we selected that town as the best location to reach the surrounding territory. We offered only surplus stock to consumers at prices consistent with present conditions. The sale lasted five days and after having accomplished the desired results in waking up the retailers, who decided it timely to lower their prices to the consumer, we called the sale off. We may be criticized by the trade and some competitors, but are willing to leave it to the public whether we have made an error or not.

We ask one question. How can we dispose of the merchandise returned by the retailers to the jobber, who in turn dumped them back on the manufacturers?

Yours truly,
The Hyde Knit Goods Co.

Questions

Is this sufficient to explain the action of the company to dealers who handled this brand of underwear so that they will continue to stock it?

(a) If not, what should be done?

Problem 206 Dealer Helps

According to newspaper reports a congress of retail merchants was held in 1920 in Chicago under the direction of Butler Brothers, wholesalers of general merchandise. More than 300 retailers attended the session, which lasted two days. Most of the speakers on the program were retailers. There was also a banker, who talked on the business outlook and there was an expert accountant, who discussed the necessity for system in the store. The congress was held for the double purpose of getting retailers to market so they could buy goods and also to enable the officials of the house to get in closer personal touch with leading retailers. The company arranged the program and provided for certain entertainment, but did not assume the traveling expense or hotel expenses of visiting merchants.

Questions

1. What are the requirements for success of such a plan?

2. Would the plan be suitable for a hardware jobber or manufacturer?

(a) A dry-goods jobber?

PROBLEM 207 DEALER HELPS

The H. N. Hurd Company three years ago placed upon the market an all-steel unbreakable vacuum bottle. Two salesmen, believeing that this bottle had definite advantages over the glass-lined bottle, left the makers of a standard vacuum bottle to go to this firm. They were able men and placed orders with new customers in the space of a few weeks, but repeat orders came slowly. Dealers everywhere complained that bottles did not move from their shelves. It was known that the Hurd bottles had to sell for nearly double the price of the glass bottles, but it was felt that the unbreakable feature was worth more than the difference in price. It was found on investigation that retailers and their clerks knew very little about the bottle.

Question

What methods might be adopted to develop a repeat business?

Problem 208

Promotion of Sales by Means of Visits of Customers to Plant

The general sales manager of a prominent wholesale dry-goods concern, which controls several cotton textile mills, suggests that as a means of increasing the good will of its retail dealers, it send the retail merchants (its customers) to the mills for a visit.

The wholesale house is located in Chicago, and the dealers are generally north or west or in the Chicago territory. The mills are located in North Carolina and Virginia.

The sales manager declares that it is very desirable that retailers be better informed as to the merchandise they sell, as well as imbued with the real appreciation of it, and learn something of the time, labor, material and expert knowledge required to make it. If the house should take a number of them down to their mills and show them the processes of manufacture, the money so expended could be very properly charged to sales promotion rather than to entertainment. The company has never made entertainment a feature of its relations with customers. It does not pay their railroad fares when they go to Chicago to buy, or give them presents or unusual discounts; it prefers to put the money which might be so expended into quality of merchandise.

Question

Is this a profitable method of increasing the trade of the concern?

PROBLEM 209

SECURING JOBBER GOOD WILL FOR PRODUCER'S BRAND

The California Associated Raisin Company, a cooperative organization of raisin growers, prior to 1915 was accustomed to taking orders for raisins to be packed

under private brands of jobbers or dealers.

In 1915 it established its own brand, called the "Sun Maid Brand," began advertising extensively, and put traveling men in the field covering the entire country: After several years, the company decided to abandon all private-brand business. It is stated that this action was due to the fact that its advertising and sales work had created such a tremendous demand for Sun Maid Raisins they could not successfully handle the volume of business, if they permitted their manufacturing idepartment to be handicapped by orders for private brands.

Early in 1921 it seemed that the attitude of the grocery trade, particularly the wholesalers, was becom ing more openly antagonistic to its private-brand policy

Question

What measures should the California Associated Raisin Company take to secure and retain the good will of grocery jobbers?

PROBLEM 210

RETAINING GOOD WILL OF DEALERS WHEN PLACING IMPROVED PRODUCT UPON MARKET

The Gillette Safety Razor Company manufactures a widely advertised safety razor, manufactured under patents which expire the latter part of 1921. pating this expiration, the company put upon the market a new, improved safety razor having a number of special features not possessed by the old style. In advertising and in general policies, the new razor is to be treated much as the old one. Anticipating, likewise, the flood of imitations of the old style, the Gillette Company planned to put upon the market old-style sets, which will sell not at the \$5 price at which they were previously sold, but for \$1, \$2.50 and \$3 a set.

The problem of the Gillette Company was to place upon the market a new razor for which a \$5 price had been fixed, while retaining the good will of the many thousands of dealers who were handling the old The company planned to spend about \$2,000,000 in exploiting the new razor, beginning its campaign about the middle of May, 1921, over six months prior to the expiration of the old patents. The company sells more than 75% of its product through iobbers.

It has always been a part of the policy of the company to take back for exchange unsalable stock from the hands of one dealer and to place it in other hands, where it can be easily sold. It seemed impracticable for the company to take back all the discontinued styles of Gillette razors found on the shelves of 250,000 dealers in the United States. On the other hand, much good will of the dealers was likely to be lost unless some interest was taken in the disposition of the styles which became out of date as soon as the new sets were placed on the market.

Questions

- 1. Should the company attempt to make allowances upon stocks of old razors?
 - (a) If so, on what basis should it be determined?
- 2. How should the matter be handled when the allowance is to be made through jobbers?

Problem 211

Cooperation with Dealer in Local Advertising

The advertising manager of the Rockwell car is confronted with the problem of organizing his plans for dealer help, particularly with a problem of the attitude of the company toward local advertising. In order to secure a broader basis for decision, he made a trip and called upon manufacturers of well-known passenger cars, with the result that he found that a cooperative arrangement of distributors was made by only five companies, and cooperative arrangement with dealers as well as distributors was made by only six companies (two of these offered the plan only to larger dealers). One company did not share local advertising with either distributors or dealers. It was

found that dealers' advertising allowance was based as follows:*

- A. Company—According to territory covered, number of cars allotted, and newspaper rates. The figure thus arrived at is inserted in the sales agreement.
- B. Company—No stated amount is set, but uniform schedule is used in all cities and towns where the company has good representation.
- C. Company—Factory allowance is based upon a certain amount per car.
- D. Company—Straight fifty-fifty allowance to distributors, but allowance to dealers is based upon so much per car.
- E. Company—Definite campaign is decided upon by the factory and uniform copy used, the dealers agreeing to pay one-half the cost.
- F. Company—No stated allowance. Factory determines amount of advertising to be used in each individual case.
- G. Company—There is no written agreement, but a verbal understanding with distributors and large dealers that they will go fifty-fifty on local advertising placed by the factory. The factory is guided largely by the dealers' wishes in regard to the amount of advertising to be used.
- H. Company—This is a new company and the advertising policy has not been definitely settled. However, they propose to operate on a fifty-fifty basis.
- I. Company—A uniform schedule is decided upon by the factory for 6-month periods, and the distributors are billed each month for one-half the cost.
- J. Company—Straight fifty-fifty basis, with practically no limit as to the amount of advertising that may be used by the dealer.

A rigid rule that only factory copy be used for local advertising has been established by eight companies.

Will allow credit on copy furnished or approved by the factory, one company.

Permit dealers to write their own copy, three companies.

Advertising agency places all dealer advertising for six companies.

All local advertising is placed by dealer or distributor, three companies.

^{*}Printers' Ink.

Factory specifies media to be used for local advertising, eight companies.

Publishers bill half the cost of advertising to dealer

and half to advertising agency, four companies.

Factory bills half the cost to dealers, three companies.

Dealers place the advertising and bill half the cost to the factory, three companies.

Questions

- 1. Which plan should be adopted by the Rockwell Company?
- 2. What points would you include in your contract with the company in which you agree to pay for part of the advertising?

PROBLEM 212

LOCAL ADVERTISING FOR MANUFACTURER'S BRAND

A manufacturing concern, which is selling direct to retailers, required that its dealers pay out in advertising an amount equal to 10% of the stock on hand when his agency begins. The company further recommends strongly that the local advertising be continued each month on the basis of 5% of the previous month's gross sales of the product.

Questions

- 1. Can this plan be used by the manufacturer of a nationally advertised shoe?
- 2. Could it be applied by a manufacturer of toilet preparations?

PROBLEM 213

DISTRIBUTING DEALER HELPS

Manufacturers who get out dealer helps are usually confronted with the problem of avoiding waste in their use. Many are sent to dealers who do not use them, and dealers frequently write for material which they do not subsequently use. It is suggested that the most obvious solution is to make a nominal charge for such material. This is open, however, to the objection that only really progressive retailers can be sold on the idea of paying for helps that the majority of manufacturers are only too anxious to give away. Where a retailer has an agency for a long line and runs into large sales or big profits, he can often be convinced that it is best for him to pay for the advertising accessories and selling helps.

Question

Should Armour & Company, or the Victor Talking Machine Company charge for dealer helps?

PROBLEM 214

SECURING UTILIZATION OF DEALER HELPS

Several manufacturers of automobile accessories have received requests from the Gibson Company, large jobbers of accessories located in Indianapolis, to participate in a plan for tying up advertising and dealer helps. The details of the plan worked out by the Gibson Company are briefly as follows:

At first, only one dealer in each town is to be selected to receive this merchandising service. This dealer must have a good retail location, effective display windows, satisfactory credit standing, a systematic stock-keeping method, a modern bookkeeping system, and must show beyond question that he is entering into the spirit of the plan with wholehearted

enthusiasm. If he proves well supplied with enthusisam, but is lacking in some of the other requirements, the Gibson Company is willing to go to great lengths to help him. For instance, it has developed a standard bookkeeping system for retail automobile supply stores and is willing and anxious to establish and sell it at cost to all dealers desiring it.

Each manufacturer is asked by the Gibson Company to cooperate in two ways: first, by furnishing a complete schedule of his advertising plans for the year, specifying mediums, with dates of insertions; and second, to supply the company an adequate stock of window trims, posters. show-cards, electros, retail sales manuals, printed matter, etc. The jobbing company then goes to the dealer selected in each town and explains the whole plan carefully, giving each a complete schedule for the year, showing exactly what he is to do each week and how he is to do it. One article is to be featured by the dealer each week, the particular week selected in each case being one that coincides with the appearance of advertising for that article in national publieations. All dealers receiving this service are required to cooperate as follows: insert window display on day and in manner specified; display the special article alone on top of display case; properly display other advertising furnished; furnish Gibson Company with copy of each advertising as run in local paper; display an advertisement clipped from national publication on article in window; see that all salespersons are properly instructed in the special selling features of the article being featured; dealers receiving this service are also required to own a corrected mailing-list of all automobile owners in the county and to authorize a systematic monthly mailing to this list. The mechanical handling of the mailing is to be taken care of by the Gibson Company's advertising department.

Question

What are the advantages and objections from the view-point of the manufacturers?

PRODUEM 915

Bonuses Given by Manufacturers to Jobbers' Salesmen

It has been asserted that a large number of manufacturers of food products give or have given bonuses to jobbers' salesmen. Although not so prevalent as formerly, the practice is still a common one. Wholesalers' associations are much opposed to the plan, claiming that it tends to make the salesmen worth less to the jobber than the manufacturer giving the bonus. Many jobbers resent the effort on the part of the manufacturer to influence salesmen in the direction of one product or another.

Question

If bonuses are to be discontinued as a means of securing the favorable interest of jobbers' salesmen, what other methods are open to the manufacturer of patent cereals sold through jobbers?

PROBLEM 216

TRAINING RETAIL SALES FORCE TO SELL MANUFACTURERS' PRODUCT

A paint company proposes to get new agents for its line of paints started right in part by holding evening meetings with retail clerks, in which representatives of the company take up in detail the manufacture and sale of its products, tell the clerks what is in the package, what arguments to use in selling its goods, and other information of value.

Questions

1. What are the advantages and objections of the plan from the view-point of the manufacturer?

2. How can approval of retail store proprietors be secured?

PROBLEM 217

Budgeting Sales and Profits for Jobbing Representatives

For the purpose of helping its wholesale dealers and increasing its own sales, the Newman Rubber Company has frequently drawn up a budget for wholesale representatives. These budgets are made upon the basis of past performance plus an estimate of possibilities in the particular territory. Recently, a certain representative of this company handling its rubber footwear was dissatisfied and discontinued the line. In order to induce another wholesaler to take up the line and also to set before him a statement of expected accomplishment, the marketing manager undertook to draw up a budget showing that this new wholesaler could take up business in his territory with profit to himself. The possible annual business for the territory was estimated on the basis of past sales of the old representative at \$200,000. In this particular territory the average turnover of stock is three times per year. average length of accounts receivable is 75 days. manufacturer gives the usual wholesale discount. namely, 8% plus 8%. Besides this usual commission, a bonus of 2% is given for placing orders early for at least 60% of the business. A further bonus of 2% is given for sales of \$150,000 or over. It is customary to take orders for canvas footwear in the fall for shipment in December, January, February and March, practically equal amounts each month. The due date for all shipments is July 1, and an anticipatory discount at the rate of 1% per month is allowed, which will be taken by the wholesaler upon about 60% of his purchases.

Question

Prepare the budget showing the gross profit, the amount of capital necessary to finance sales, and the per cent return possible on capital used for financing.

PROBLEM 218

Consignment Methods as Means of Controlling Policies of Distributors

One of the large electric companies in its lamp division sells two general classes of mazda and metallized filament incandescent lamps. In general, the busines may be divided into two classes: (1) the miniature lamps, which are used for flash-lights, on automobiles, and for decorative purposes, and are sold direct; (2) large lamps used for general illuminating purposes. The business in miniature lamps is only 12 to 18% of the gross sales. There are over 1,000 styles of incandescent lamps, each designed for a specific purpose; but in most central stations and in most dealers' stocks, only a small proportion of these sizes is needed to fill ordinary demand. The market for incandescent lamps is national and susceptible of unlimited development. The demand for lamps increases with the extent to which electrical generating apparatus is sold and installed

In order to control policies with reference to distribution in the case of the larger lamps, the consignment method is used; that is, the larger lamps are not sold outright, but placed on consignment with the various classes of distributors. Distributors are of several types: first, those who redistribute; second, those who sell direct to consumers; third, central stations. addition, some of the larger contracts of users are handled directly by the company. Distributors who redistribute are designated as B agents; these must sell under the legal appointment at least \$20,000 a year. Distributors who sell only direct to consumers are designated as A agents, whose sales must be at least \$500 per year. As soon as sales amount to \$20,000, an A agent becomes automatically a B agent. This carries with it added discounts, privilege of nominating A agents, and entitles him to commissions on the business of such agents as he develops. Legally, both types of agents are appointed by the manufacturer, but the B agents develop the A agents and receive special compensation for that service. B agents are permitted to supply the agents specified by the manufacturer and no others. Likewise, an A agent may receive goods only from the particular B agent specified in the appointment. B agents are allowed an extra commission of $2C_0$ on all orders furnished out of stock. Furthermore, in order to encourage prompt remittance, both from B agents on their direct business and on the business of A agents done through them, an added $5C_0$ is allowed on the net amount remitted, provided it is received by the fifteenth of the month following the sale. Each agent's territory is exclusive, but is not larger than he can cover with intensive selling methods.

Question

Does the capital requirement to carry out such a plan offset the advantage of control of agents?

Problem 219

Sales Contract with Large Consumers

Does the following contract, used by a rubber tire manufacturer, avoid difficulties with distributors selling tires in the territory in which the user is located?

COMMERCIAL AGREEMENT THIS AGREEMENT Agreement the CORHAM RUB-

BER PRODUCTS COMPANY, INC., Boston, Mass., First Party, and
of Second Party, made this
WITNESSETH:
In consideration of the following prices and guarantees the Second Party agrees to purchase from the First Party GORHAM TIRES exclusively fortire requirements for motor vehicles owned by

.....from date of this con-

tract; also to specify GORHAM TIRES on any motor vehicles purchased during the life of this Agreement.

The First Party agrees to allow the Second Party Sales Proposition as follows:

TERMS:

A 5% Cash Discount will be allowed if payment is made promptly on or before due date.

This Agreement covers

Tires purchased under this contract are covered by the regular standard guarantee of the Gorham Rubber Products Company, Inc., printed on the reverse side of this sheet, and which is made a part of this Agreement.

In case of reduction of prices by the Company, the purchaser will have the benefit of the same and goods will be billed at the prices in force on date of shipment.

This Agreement shall be in force until the day of and may be renewed by the Second Party at any time within thirty (30) days prior to date of expiration of this Agreement, basing prices for the new Agreement on market conditions.

It is agreed that the tires covered by this Agreement are purchased by the Second Party for equipment to its own cars and not for re-sale purposes.

This Agreement is subject to fires, strikes, and other contingencies beyond the control of either party.

(Reverse side of Agreement)

SOLID THE GUARANTEE

The Company will replace with a Solid Tire any Solid Tire bearing the name of the Company and serial numbers not defaced, which in its opinion before having run 10,000 miles and with proper use and care, and within

twelve months from date of first application on Gasoline Vehicles and within eighteen months from date of first application on Electric driven Vehicles, develops manufacturing defects rendering it unfit for further use. Such replacement to be conditional as follows:

Payment of the Company of an amount which in its judgment will be fair compensation of the service actually rendered by the replaced tire; that the tire has been returned to the Company transportation charges prepaid; that the tire has not carried excessive loads, or been driven at excessive speeds, or has been otherwise damaged or abused.

PNEUMATIC TIRE GUARANTEE

The Company guarantees all automobile tires, bearing the Brand, "GORHAM RUBBER CO.," and serial number, to be free from imperfections in material and workmanship. Tires returned for consideration under this guarantee will be accepted only when all transportation charges are prepaid. If, upon examination, it is the Company's judgment that tires are defective, they will be repaired or replaced at their option.

When tires are replaced, charges will be made to owners at the time new tires are delivered for such amounts as in the Company's judgment will compensate for the service rendered by such replaced tires.

Tires worn out in usual or unusual service, abused knowingly or unknowingly, misused, used on rims not bearing stamps No. 1 or No. 2, or on wire wheels not bearing stamp No. 3, injured through accident or design, are not covered by this guarantee.

Tires are not guaranteed to give any definite miles of service, and any and all guarantees are expressly waived by any purchaser of these tires who uses therein any substitute for air; or who uses them under weights in excess of those for which the various tires are recommended, or who does not keep tires inflated to the pressure recommended by the Company.

Problem 220

DEALERS' CONTRACT

The Wilson and O'Neil Company uses the following contract when granting exclusive agencies to retail dealers:

AGENCY CONTRACT

by and between day of
Wilson and O'Neil Paint Co., Inc.
a corporation, organized and doing business under the laws of the State of Michigan and
hereinafter designated as Dealer,
Witnesseth: That for and in consideration of

This agreement is contingent upon Wilson and O'Neil Co., Inc., maintaining their present high standard of quality and keeping their prices as compared with other standard lines proportionate to what they now are.

In consideration of Wilson and O'Neil Co., Inc., having the full cooperation of Dealer in the promotion of his paint business, Wilson and O'Neil Company, Inc., agree to increase the paint sales of said Dealer...... per cent (C_{θ}) within one year from the time a representative line is placed on the shelves of the Dealer, or all unsold Wilson Products, in salable condition, may be returned at the market price to Wilson and O'Neil Co., Inc., at the option of the Dealer.

It is understood this agreement covers a period of two (2) years from this date, at the expiration of which time it may be renewed or cancelled at the option of either party, and it is further understood that this exclusive sales agency does not include Insecticides, Brushes, Laundry Supplies, Artists' Materials, Special Grindings for Manufacturers of Merchandise for State Institutions

Wilson and O'Neil Co., Inc. By
Accepted
It is mutually agreed that the prices on the merchaldise covered by the original stock order, placed in connection with this agency contracts, are to be those effect during the spring season of 1921. Dealer
By
Wilson and O'Neil Co., Inc. By
Question
Will this contract tend to stimulate sales activity of

Problem 221 Contracts with Distributors

the part of the dealer?

A manufacturer of automobiles wishes to work out a sales contract for his distributors. He has on hand a copy of a contract used by a prominent automobile manufacturer who has a very large output and whose agencies are eagerly sought. The contract is as follows:

From.....Branch

Curtice Sales Agreement

- (1) That Manufacturer hereby grants to Dealer the privilege of selling Manufacturer's products in the manner, upon the terms and within the territory herein specificially set forth.
- (2) Dealer shall make sales of Curtice automobiles, trucks, chassis, parts and accessories only to residents of, or to persons permanently employed in, the following specified territory shown on the attached map, and to no other, namely:

(3) The sale by Dealer of new and second-hand Curtice automobiles, trucks, chassis, part or accessories to residents outside of Dealer's territory is a serious damage to Manufacturer and its other Dealers and tends to destroy the organization and business of Manufacturer and Manufacturer may cancel this agreement for any such violation.

- (4) The territory herein assigned to the Dealer is not exclusive, but Manufacturer reserves the right to appoint other Dealers in the same territory, to make sales therein. If, however, Manufacturer shall not appoint other dealers in said territory, then this agreement shall be exclusive, and in such case, Manufacturer reserves the right to make direct sales to customers in said territory and will pay Dealer one and only one commission of twelve and one-half per cent $(12\frac{1}{2}\frac{cr}{2})$ of the list price of Curtice automobiles, trucks or chassis so sold after it shall have received the full purchase price therefor in cash. Manufacturer expressly reserves the right to sell its products to the United States Government, or to any of the Departments thereof or to the American Red Cross without the payment of any discount or commission whatever to the Dealer, and Dealer agrees to immediately turn over to the Manufacturer any inquiries or orders received therefrom without any payment or compensation to him therefor and to make deliveries of the Manufacturer's products, as it may direct, without charge for the handling, etc.
- (5) Dealer agrees to maintain a place of business and properly equipped sales rooms and service station for

Curtice automobiles, trucks, and chassis acceptable to the Manufacturer, prominently located for the purpose of conducting such business, and shall employ competent salesmen and efficient workmen and Manufacturer shall not in any wise be responsible for any charges connected with such place of business. Dealer also agrees to purchase for himself and keep in use at all times at least one Curtice automobile of the current year's model, for the sole purpose of demonstration and exhibition to intending purchasers and to maintain same at all times in proper running condition and good clean order and repair. If he sells said demonstrating automobile before the same shall have been in use three months, Dealer agrees that he will sell it on the terms and on the conditions herein governing the retail sale of new ears.

- (6) Dealer agrees to conspicuously display Curtice signs on and in his building and windows, designating that he is a Curtice dealer for the territory specified herein and he shall adequately advertise the Manufacturer's product in the local papers and otherwise, and give his immediate and careful attention to all inquiries, and give good representation to all interests of Manufacturer. Dealer agrees not to advertise or trade in the Manufacturer's product in such a way as to be an annovance or injurious to it or any of its other duly appointed Dealers, and that he will not repeat any advertisements or publish or use any form of advertising matter to which the Manufacturer objects, and that he will follow as closely as possible advertising copy suggested from time to time by the Manufacturer. Under no circumstances will Dealer be permitted to use the name "Curtice" as part of his firm or corporate name. When agreement of Dealer is cancelled or terminated, he agrees to immediately remove all Curtice signs and discontinue Curtice advertising.
- (7) In order that Manufacturer may determine the prospective requirements of its business and may base its purchases for materials, etc., thereon, the dealer agrees that he will furnish the Manufacturer on form provided, prior to December 31st of each year, an estimate of the number of Curtice automobiles, trucks and chassis Dealer will sell at retail and to be shipped him in the various months of the following year as specified.
- (8) Manufacturer agrees that the estimate and shipping specifications of the Dealer will receive Manufacturer's careful attention, but Manufacturer does not agree absolutely to fill them, but expressly reserves the right

to refuse them from time to time, or such parts of them as Manufacturer deems necessary or proper, and all such estimates are subject to delays occurring from any cause whatsoever in the manufacture and delivery of its product—no legal liability to fill such estimates being incurred under any circumstances. And the Dealer may eancel, upon one month's written notice to Manufacturer, any unfilled part of said estimate.

(9) Manufacturer shall not be liable in any way for delayed shipments or on account of shipments by any other than a specified route.

(10) Manufacturer will sell its Curtice automobiles, trucks and chassis to Dealer as hereinafter provided at seventeen and one-half per cent $(17\frac{1}{2}\%)$ discount from its established list price f. o. b. Detroit, Michigan.

(11) Dealer shall pay to Manufacturer in cash or by accepting and paying sight draft attached to bill of lading, including exchange, the full list price at the time of purchase from Manufacturer of its automobiles, trucks, chassis less a discount of seventeen and one-half per cent $(17\frac{1}{2}\%)$. The title to all products, until actually paid for by Dealer, shall be and remain in Manufacturer.

(13) Dealer shall pay any taxes that may be levied upon or against or on account of such business on his stock, or any Curtice automobiles, trucks and chassis as may be in his possession or in transit on bill of lading or otherwise for delivery to him. Dealer shall pay any present or future United States tax or excise upon or in respect of each automobile, truck and chassis, part or accessory, as may be in his possession or in transit on bill of lading or otherwise, for delivery to him.

(14) Dealer agrees that he will purchase from the Manufacturer and carry at his place of business an adequate stock of genuine Curtice parts at all times during the term of this agreement. Inasmuch as the

reputation of Curtice automobiles, trucks, and chassis is often injured by the use therein of parts made by others, Manufacturer suggests that all purchases of parts by the Dealer shall be made as to all parts listed in its parts catalog, exclusively from the Manufacturer and that he will not use, sell, or recommend to Curtice owners or others, similar parts manufactured by others.

- (15) Manufacturer agrees to allow the Dealer a discount of forty per cent (40%) on all parts of Curtice automobiles, trucks and chassis listed in the Curtice parts price list f. o. b. Detroit, Michigan. Dealer agrees to allow a discount of twenty-five per cent (25%) f. o. b. his place of business on such parts to all public garages and repair shops in his territory. Discount of forty per cent (40%) is allowed in consideration of Dealer carrying an adequate amount of stock provided above, selling to public garages and repair shops at a discount of twenty-five per cent (25%) and faithful performance of the other provisions of this agreement.
- (16) Manufacturer reserves the right to sell and deliver or cause to be sold and delivered any parts of Curtice automobiles, trucks, and chassis, repairs, accessories or other goods that may be ordered from it by any person within the territory covered by this agreement, without the payment of any profit or allowance or commission or any discount or credit whatever to the Dealer upon such sales.
- (17) Manufacturer may change the list prices of any of its products at any time and in case of increase or reduction in such list prices, Manufacturer shall not be bound to make any allowance to Dealer on any of its products shipped before such changes take effect, except in case of a reduction in price the Manufacturer will allow the Dealer a proportionate rebate on the purchase price only on such automobiles, trucks, and chassis as were shipped to the Dealer within thirty days immediately before such change and still remain in his possession unsold at the date of such reduction.
- (18) Dealer shall obtain from each purchaser of a Curtice automobile, truck or chassis a written order duly signed by the purchaser, upon Retail Buyer's Order to be furnished by Manufacturer, together with a eash deposit of not less than fifty dollars (\$50.00) on each Curtice automobile, truck or chassis and will file with Manufacturer such original Retail Buyer's Order after delivery of such Curtice automobile, truck or chassis to the customer. Manufacturer shall have the right at any time to

visit Dealer's place of business and check up and verify all Retail Buyers' Orders.

- (19) This agreement shall continue in force and govern all transactions between the parties hereto until canceled or terminated by either party, but it is agreed that either party shall have the privilege, with or without cause, to cancel and annul this agreement at any time upon written notice by registered mail, or personal delivery of notice to the other party, and such cancellation of all unfilled retail and other orders and requisitions for all products of Manufacturer which may have been received by the Manufacturer from the Dealer prior to the date when such cancellation is served.
- (20) In case of the cancellation or termination of this agreement the Manufacturer may, at its option, re-purchase from the Dealer at the price which he paid therefor, plus freight, all such of the aforesaid new and unused Curtice automobiles, trucks, chassis, parts and accessories as he may have on hand unsold at the date of such cancellation or termination. Manufacturer shall be entitled to take possession of all such Curtice automobiles, trucks, chassis, parts and accessories remaining on hand and wherever found, without any legal liability whatever, upon tendering to Dealer the said purchase price thereof plus freight.
- (21) Upon termination of this agreement by cancellation or otherwise the Dealer shall turn over to the Manufacturer all bona fide retail orders that he may have on hand unfilled and also list of any prospective purchasers within his knowledge and the Manufacturer shall not be liable in any manner whatsoever on account of the cancellation or termination of this agreement, even though thereafter the Manufacturer or any new representative should complete any deals inaugurated by Dealer.
- (22) Dealer agrees that he will make repairs on all Curtice automobiles, trucks and chassis in his territory, or coming into his territory, whether sold through him or not, and to perform this work promptly and in workmanlike manner, and that he will not remove or alter the Manufacturer's patent plate, motor number, or other numbers or marks affixed to any Curtice automobile, truck, chassis, part or accessory or permit it to be done.
- (23) Manufacturer owns and the Curtice automobiles, trucks, chassis are manufactured under and embody the following letters patent of the United States of America, or some of them, namely: (design patents and application for letter patents now pending and undetermined). Manu-

facturer further owns, and Curtice automobiles, trucks, chassis, parts and accessories are manufactured and sold under and embody the exclusive right to the use of the name "Curtice" acquired by and through United States conveight and trade-mark registration. The validity of each of said patents and of the said trade-mark registrations and trade user rights and claims of the Manufacturer under said applications is hereby expressly admitted; and it is agreed that the sale and use of said Curtice automobiles. trucks, chassis, parts and accessories, as delivered to the Dealer are restricted according to the terms of this agreement and that no license is given to handle or use said Curtice automobiles, trucks, chassis, parts or accessories under such patents and applications, except strictly in accordance with the terms and conditions of this agree-

- (24) The failure of the Manufacturer to enforce at any time any of the provisions of this agreement, or to exercise any option which is herein provided or to require at any time performance by the Dealer of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this agreement or any part thereof, or the right of the Manufacturer to thereafter enforce each and every such provision.
- (25) It is agreed that the Dealer is in no way the legal representative or agent of Manufacturer for any purpose whatsoever except as expressly stated in this agreement and has no right or authority to assume or create any obligation of any kind, expressed or implied, on behalf of Manufacturer or to bind it in any respect whatever. He shall make no warranty or representation of Manufacturer's products, but shall refer purchaser to Retail Buyer's Order and the printed literature of Manufacturer for any warranty made by Manufacturer.
- (26) Dealer shall have no right to assign this agreement, or any interest in it without the written consent of the Manufacturer.
- (27) It is mutually understood this is a Michigan agreement and shall be construed as such. And it is further understood by the parties hereto that this is a general selling agreement intended for use by Manufacturer wherever its products may be sold and therefore if any of its provisions shall contravene, or be invalid, under the laws of the particular State, Country or Jurisdiction where used, then it is agreed that such contravention or invalidity shall not invalidate the whole agreement but

it shall be construed as if not containing the particular provision or provisions held to be invalid in the said particular State, Country or Jurisdiction and the rights and obligations of the parties shall be construed and enforced accordingly.

In Witness Whereof the parties have hereunto_set their hands and seals the day and year first above written.

Signature of the Dealer	Signature of the Manufacturer
(L. S.)	Curtice Motor Co.
By———(L. S.)	By————(L. S.)
	Branch Manager.
Ougst	0.40

Question

Is this contract suitable for an automobile manufacturer who is attempting to market a new car?

Problem 222

EXCLUSIVE AGENCY CONTRACTS

While a written contract is in many cases desirable from the view-point of the manufacturer when dealing with exclusive agencies, there are many instances of exclusive agencies having been granted without formal contract. Prominent clothing manufacturers, who make a practice of selling only to one dealer in a town. do not ordinarily require written contracts. There is an implied understanding that, in return for rights to the sale of the manufacturer's product, the dealer will push the goods of the manufacturer and possibly will handle no directly competing lines. However, in the automobile trade and in some other lines it is customary to use agency contracts in which are set forth not only the agreements, but also the policies of the manufacturing concern. The content of such a contract is usually left to the legal counsel. The export trade makes widespread use of exclusive agency contracts. and it is suggested that export experience may offer

something to the manufacturer in handling domestic sales agencies.

A prominent export manager has listed the following points to be covered in the contract between the manufacturer and the foreign agent:*

- (1) Agent's official name and address;
- (2) Seller's official name and address;
- (3) Nature of relation and mutual obligations;
- (4) Territory and products;
- (5) Reserved rights of seller in described territory;
- (6) Terms of contract;
- (7) Method and time of compensation of agent;
- (8) Protection of agent and compensation on direct and indirect sales in his territory;
- (9) Prices, discounts, etc.;
- (10) Terms of sale;
- (11) Conditions surrounding sales by agent for account of seller;
- (12) Provisions covering bankruptcy, etc.;
- (13) Prices at which agent shall sell;
- (14) Granting or withholding right of agent to sell outside his own territory;
- (15) Right of agent to sell or act as agent for competing products;
- (16) Allowances for advertising, samples and selling expense;
- (17) Required purchases or sales in each year of agency relation;
- (18) Definition of such purchases or sales and of required relation (if any) between purchases by agent in comparison with sales to others;
- (19) Provisions relating to the possible failure of agent to reach purchase or sales totals;
- (20) Statement of the right of seller to pass on and to limit credits or sales totals;
- (21) Cancellation clauses;

^{*}World's Markets, February, 1921, article by Walter F. Wyman.

- (22) Rights and privileges of seller and agent at expiration of contract or at termination of contract equitably protected;
- (23) Repairs, damages and claims defined and policy and practice portrayed;
- (24) Provision for disposition of stock at ending of contract;
- (25) Non-assignability of contract.

Questions

Should all of these points be provided for in a contract between

- (a) a manufacturer of automobiles and his state and retail distributors:
- (b) a manufacturer and a distributor of automobile accessories:
- (c) a manufacturer of talking machines and retail dealers?

PROBLEM 223

SALES CONTRACTS FOR CANNED GOODS FUTURES

For many years, there has been friction between canning companies and wholesale groceries with respect to the terms of sales contracts. In the spring of 1921 the National Wholesale Grocers' Association, through a committee on contracts, recommended the following form of contract:

National Wholesale Grocers' Association of the United States

FUTURE DELIVERIES—Goods sold for future delivery shall be shipped during packing season, or not later than 30 days after packing season closes.

Seller agrees to provide for sufficient acreage on basis average crop yield to cover all goods sold. If causes beyond seller's control prevent full delivery, buyer will accept 75 per cent delivery with all other buyers of same grades. If seller does not make 75 per cent delivery, he shall pay buyer an amount equal to one per cent of the price for each one per cent reduction below 75 per cent total quantity herein purchased, but in no case shall delivery be less than 50 per cent.

Buyer shall have privilege of reducing quantity to 75 per cent of total quantity herein, provided he mails seller written notice before packing season opens.

Special Guaranty—Seller shall ship in bright, merchantable cans.

Goods sold before or during packing season are guaranteed against spoils, swells, leaks and springers until September 1st of following year. Subject to requirements of food and sanitation laws, and except for cans cut, spoils, swells, leaks and springers shall be held subject to seller's order. Seller shall reimburse buyer at contract price for spoils, swells, leaks and springers.

Goods sold after packing season are guaranteed against spoils, swells, leaks and springers to September 1st following date of sale, provided, however, that such guaranty shall in every case continue for at least six months after date of sale.

Labels—If buyer's labels are used, seller shall allow cost of his labels for similar grades. If shipped unlabeled, a labor allowance to buyer of 1c per dozen on sizes smaller than No. 10 and 4c per dozen for No. 10 shall be made. Seller shall also properly stencil ends of cases. Buyer's labels and stencils, charges prepaid, shall be in seller's possession in time to make proper shipment.

Packing—Shipment shall be made in well nailed, standard wooden cases, unless otherwise specified in contract; all cases and containers shall comply with tariff schedules filed with Interstate Commerce Commission.

General Guaranty—Seller guarantees goods to conform to national and state food laws and regulations and to have been canned in accordance with state and federal child labor laws.

LIABILITY—In case of destruction of business property of either party by fire or other accident, contract may be canceled upon prompt written notice to the other party. In case of partial loss to seller's property, undamaged portion of goods shall be delivered pro rata on unfilled contracts.

Arbitration—All disputes arising under this contract shall be arbitrated in the usual manner, unless there is a regular Arbitration Committee appointed by the National Wholesale Grocers' Association and National Canned Foods and Dried Fruit Brokers' Association, and indorsed by the National Canners' Association, for the district in which the dispute arises, and then by three members of such arbitration board. Decision of the arbitrators shall be final and binding. The cost of arbitration shall be paid by the loser.

CERTIFICATE OF CAR LOADING—Copy of certificate of car loading shall be presented with invoice.

Certificate of Car Loading

(Carbon copy to be presented with invoice to save loss and damage claims and deduction).

The undersigned hereby certify to the following service: We have:

Cleaned car of dirt, filth, oils and grease, or have covered same to protect contents loaded by us.

Sealed all containers in accordance with the classification, outside flaps meeting, boxes square and true and flaps thoroughly sealed over the entire surface. Wooden cases have solid or closely fitting sides, ends, tops and bottoms securely fastened and no broken parts exposing contents.

Loaded the contents with can on end, spaced the rows to fit the car snugly in width and length, with no space between rows or tiers.

Braced boxes loaded above the grain lining and braced boxes in uneven rows and boxes forming incomplete top layers and boxes about car doors to avoid shifting and rubbing. (Bracing while especially important on long hauls is needed on all cars on account of switching.)

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Canning Company
Cooper
Load and Tally

Shipping Clerk

Note—Where contract permits fibre boxes, and such containers have been used, the tops of those containers containing unlabeled goods should be sealed with tape only. Moreover, car loading certificate should include statement that bill of lading has been stamped as required by the classifications for shipments in fibre containers.

At the same time one of the largest canning and packing companies, with general offices in Chicago, uses a contract form as follows:

- (1) Terms of Payment. $1\frac{1}{2}\frac{2}{0}$ discount for each in 10 days from date of invoice, or 60 days net.
- (2) Conditions: S. A. P. contracts are subject to buyers' immediate confirmation when opening prices are named.
- (3) Swells, blown and pierced tins from future delivery purchases guaranteed to July 1 following the year packed. Spot delivery purchases six months from date of shipment.
- (4) In case of destruction of buyer's place of business by fire or the elements prior to the fulfillment of this contract, the buyer shall have the right to cancel same by giving seller written notice to that effect within five days after such destruction occurs. This provision shall apply only to unshipped portion of order and shall not apply to shipments made prior to the receipt of notice of cancellation.
- (5) Seller shall not be liable for short, late or nondelivery of goods resulting from, or contributed to, by damage to its contracted crop, strikes, fire, flood or any cause beyond its control, or any unavoidable casualty or circumstance, in which event it is mutually agreed that deliveries are to be prorated to all buyers without discrimination from suitable stock remaining in seller's possession.
- (6) In case of withdrawal from sale of one or more items prior to seller's receiving contract, specifications or change in specifications, the seller has privilege of not accepting items withdrawn.
- (7) Goods are at risk of buyer after delivery to carrier; seller does not assume any responsibility for any change in transportation rates, either an advance or decline, that may take place between the time this contract is entered into and shipment is made.
- (8) Seller will not be responsible for any delivery, terminal distributing, handling, storage or demurrage expense at destination.
- (9) Notwithstanding shipped to seller's order, goods are at risk of buyer from and after delivery to carrier, and buyer hereby assumes responsibility as to shortage, loss, delay or damage in transit upon issuance by carrier of clean bill of lading.

(10) Seller guarantees goods in accordance with Food Law Guarantee adopted by the National Wholesale Grocers' Association and also in accordance with the State and National Food Laws, except that seller is only responsible for misbranding when seller's labels and brands are used. Seller disclaims any responsibility for misbranding when goods are not shipped under seller's labels.

(11) No contract shall be binding upon seller until signed by Wharton Packing Corporation, Chicago. Neither brokers nor salesmen have authority to make any conditions, verbal or written, except those named

hereon

(12) Prices guaranteed against seller's decline to date of shipment.

(13) Unless otherwise stated in this contract, the merchandise hereby sold is to be delivered when seller shall have them ready for shipment.

Ouestions

1. As an official of the canning company, would you be willing to accept the contract under the terms proposed by the wholesale grocers?

2. What terms in the packing company's form of contract might be objectionable to a wholesale grocer?

PROBLEM 224

FUTURE SALES CONTRACTS FOR DRIED FRUITS

Dried fruits have in past years been sold commonly by the packing companies through brokers to wholesale grocers, under two general terms of sale. In neither type of contract made for future delivery are prices specified. In one type of contract, called the S. A. P. contract, the purchase made by the wholesale grocer is not valid until prices have been approved. Usually, such a contract is stamped "Subject to buyer's approval of contract, terms and conditions when named by seller." The other type of contract, called the F. O. P. contract, calls for delivery of dried fruits at opening prices, the phrase used being "Firm at sellers' opening prices, terms, and conditions.

Question

Which contract is preferable for a wholesale grocer?

PROBLEM 225 SALES CONTRACTS—KNIT GOODS

The following contract is recommended by the National Wholesale Dry Goods Association for use in purchasing from manufacturer and selling houses:

JOHN DOE KNITTING COMPANY
New York, N. Y 1921.
No
The John Doe Knitting Company hereby sells and agrees to deliver and
Terms:
Quantity Description 28 30 32 34 36 38 40 42 46 48 etc. Prices
(The length of the above columns and their arrangement to be decided according to your needs.)

 It is understood that the prices and terms of this contract shall not apply to or have any bearing upon any other contract.

- 2. In the event of the failure of the seller to make delivery of any goods within fifteen days of the dates herein specified, the buyer shall have the option of receiving such goods as soon as the manufacturer can make delivery thereof or of cancelling the contract and receiving as liquidated damages an amount equal to 10% of the contract price of the undelivered portion of such past due goods. Delivery to the carrier and mailing invoice and bill of lading to the purchaser shall be deemed a delivery to the purchaser in absence of agreement that the seller shall invoice but hold the goods. Can you make any suggestions for improvement?
- 3. If the production of the seller's mill shall be curtailed between the date hereof and the end of the period for delivery specified herein, by strikes, lockouts, accidents, fire, casualties, or any other cause beyond the reasonable control of the seller, a proportionate reduction in quantity delivered may be made. Upon the occurrence of any of the contingencies mentioned above, the seller shall mail notice to the buyer within ten days after he has knowledge thereof.
- 4. The deliveries hereunder are subject to regulation of credit by the seller from time to time. Furthermore, satisfactory security before manufacture or delivery may be demanded.
- 5. Merchandise owned by the buyer, but held at the seller's mill for whatever reason, is at the buyer's risk. It will, however, be included under the general fire insurance policies of the mill, and in case of loss, adjustment will be made out of the insurance received, pro rata with all goods damaged.
- 6. Any unsettled differences arising out of this contract regarding quality, construction of fabric, details and finish, shall be settled by arbitration, the parties agreeing to submit their differences to a board of arbitration appointed for one year as follows:

One member by the President of the Knit Goods Buyers' Association.

One member by the President of the Knit Goods Manufacturers of America.

And the third to be chosen by the two arbitrators above mentioned whose decision shall be final.

This contract shall become binding upon both parties when it is signed by an officer or authorized agent of the purchaser, and by an officer or author-

ized agent of t	he seller, :	and a not	ice of	accepta	nce is
mailed to the					

Question

Should a manufacturer of knit goods use this contract?

PROBLEM 226

SALES CONTRACTS—COTTON TEXTILES

At the present time and for twenty-five years past, some of the largest cotton brokers in this country have used a contract reading substantially as follows:

Sold for account of
be deliveredpicks
to the square inch; to beinches wide; weight
not lighter thanyards to the pound; at
cents per yard. Terms; delivered; to be
shipped If the production of theMill
shall be curtailed during the time above named by strikes
or lockouts to counteract strikes, or any unavoidable
cause, the deliveries shall only be made proportionate to
production.

To meet war conditions one of the leading commission houses in the market amplified this form by adding the following clauses:

(1) If delivery to transportation company is prevented or delayed by act of Government, car shortage, embargo or unavoidable casualty, delivery of bill or invoice shall constitute delivery within the meaning of this contract. In case of default or delay in any one delivery such default or delay shall not affect the balance of the contract.

(3) If the production of the mill shall be curtailed by strike, lockout, riot, fire, act of God or unavoidable casualty, delivery need only be made proportionate to production.

(4) Insurance—Goods billed and awaiting shipment are at buyers' risk. Such goods will, however, be covered by us by fire insurance only, pro rata with all other stock on hand belonging to us or held by us for our customers, but without guarantee by us of either the quantity or quality of such insurance.

It is well known that in the past many yards of goods have been bought and sold without the forms being completed; some buyers will not sign the contracts and sellers have not pressed the matter.

In connection with the discussion as to new forms, the following questions were asked:

Questions

- 1. Are intricate forms necessary?
- 2. What revision should be made in forms quoted above?

PROBLEM 227

CONTRACTS IN IRON AND STEEL INDUSTRY

The following forms are used by the Burlington Steel & Iron Company (Form A) and the Sheffield Steel Company (Form B) to cover contract sales of pig iron and rolled-steel products.

FORM A

Proposition from	n
Cove	RING PURCHASE OF PIG IRON FROM
BURLING	GTON STEEL & IRON COMPANY, PITTSBURGH, PA.
Submitted thro	ugh
	Sales Agent
Sale No Contract No QUANTITY GRADE SPECIFICATION	
Price	Per ton of 2240 lbs., delivered f.o.b. railroad cars or furnaces at
PAYMENT DELIVERY	deliveries (invoice date)
differences with delays in transp Each month's independent of the purchaser to stipulated for s further deliverie at any time whe any iron delive payment to be iron as broken to In case of any ments herein mexcused or releas The seller with correct weight in This contract on form below: ACCEPTION BURLIN PER.	all not be responsible for delays caused by strikes, workmen, accidents at the works, shortage of cars, ortation, or other causes beyond its control. It is deliveries shall be treated as a separate contract, deliveries for other months, but upon the failure of pay for any iron delivered hereunder within the time such payment to be made, the seller may suspend is until such payment is made, and the seller may also, en the purchaser is in default in making payment for red hereunder within the time stipulated for such made, treat the contract for any or all undelivered by the purchuser. It is default whatsoever of the seller in regard to installmentioned, the buyer shall not, by reason thereof, be sed from any obligation in regard to other installments. It not be liable for any overcharge in freight when is expressed in bill of lading. The accepted by officer named to AT BIRMINGHAM, ALABAMA. 192 GTON STEEL & IRON COMPANY VICE-PRESIDENT
	PURCHASER

EXECUTED IN DUPLICATE

FORM B (page 1) SHEFFIELD STEEL COMPANY PITTSBIRGH, PA.

			Pric	E Хо
and	•		OMPANY agree	s to sell agrees to buy
QUANTI MATER	ITY			
	publishe	d by Seller		s and of the sizes o Seller's standard
PRICE	Div. Tonn		DETAIL OF Material	PRICES AND EXTRAS
	The i	ı orice or pri	* * * * * * * ces quoted here	in are based upon
	ear load of delive viz	freight ra ery in effe cent	tes from ct at the date s per 100 pour	to the place of this agreement, ads. In the event tes, the amount of
	such in materia	crease sha Is shipped	If be added to against this co	o the price of all contract during the ate is in effect, and
	in the c amount price of	vent of a c of such de all materi	lecrease in sucl ecrease shall be ials shipped be:	i freight rates, the deducted from the reunder during the

Sheet No. 2

PLACE OF DELIVERY

TERMS OF PAYMENT

In case the Buyer shall fail to make payments in accordance with the terms and provisions of this agreement, the Seller may defer further shipments until such payments are made, or may, at its option, terminate this agreement.

Price No.....

CREDITS

Shipments and deliveries under this agreement shall at all times be subject to the approval of the Seller's Credit Department; and in case the Seller shall have any doubt as to the Buyer's responsibility, the Seller may decline to make any further shipments hereunder except upon receipt of satisfactory security or for cash before shipment.

QUALITY SPECIFICA-TIONS

TIME OF PAYMENT

In the event of unavoidable delay due to fires, strikes or other causes beyond the control of the Seller, the Buyer may, subject to previously obtained consent of the Seller, cancel the portion of the goods not manufactured or in process of manufacture at the time his request to cancel reaches the Works.

The Seller shall not be responsible for delays in deliveries caused by strikes, differences with workmen, shortage of ears, delays in transportation, accidents at mills, or other contingencies beyond its control.

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Questions

What are the advantages and disadvantages of such contracts from the view-point of

- (a) the purchasers of pig iron or steel;
- (b) the pig iron or steel producers?

PROBLEM 228

ORDERS OF SPECIALTY SALESMEN

Jobbers have complained very frequently that large numbers of specialty orders, turned in to them by specialty salesmen, were being refused at time of delivery. The American Specialty Manufacturers' Association made an investigation of 175 orders turned back to a certain jobber during a period of two weeks. Thirty-six reasons were given by the retailers for the refusal of 165 orders; the main reasons were as follows:

Stores closed or changed hands14
Claimed goods delivered and accepted
Canceled over phone (added to regular orders)12
Claimed delivered too late (purchased elsewhere in
some cases)
Claimed goods not delivered (wrong delivery days and
hours)21
Did not have money-check (other money reasons,
higher prices)
Wrong goods delivered (wrong address) 6
Substitution 1
Plain rejection4
Gave order to get rid of salesman 1
Claim did not sign
Would not receive old cereals authorized by salesman. 6
Woman gave order subject to husband's sanction 1
Sold to woman; husband refused
Did not order
Salesman applied "X," signed merchant's name 1
Salesman sold goods to 12-year-old girl
Woman signed order, thinking she was getting samples 1
Ordered through another jobber 1
Salesman wrote order for one man, signed by another. 1
Miscellaneous

Questions

Can any conclusions be drawn from the view-point of (a) a manufacturer of branded, advertised baking powder;

(b) the grocery wholesaler?

PROBLEM 229 JOBBERS' DISCOUNTS

The Aylsworth Company, of Chicago, manufacturing several widely advertised package cereals, has for many years maintained the policy of making no concessions in price upon large purchases. Concessions are made upon orders for 5-case lots, because of freight advantages in the latter, but chain stores and large purchasers are not favored over the comparatively small grocers, who are able to handle without difficulty five cases at a time. Jobbing prices are quoted, but no differences are made as between jobbers, and jobbers are requested to maintain prices in selling to retailers. The buyer of a group of chain stores has asked the company for a jobbing price, agreeing to contract for an amount of product which is greater than that used by many of the jobbers with whom the company deals.

Questions

1. Should the company grant this buyer the jobber's price?

2. Assuming that the buyer is not an organized chain store, but represents a retail buying association having a wholesale warehouse, is there any reason for differentiating in price between the chain store buyer having 25 stores and the cooperative buying association consisting of 25 independent units?

3. A jobber starts a retail store in the outskirts of the city in which his wholesale store is located. Should the Aylsworth Company continue to quote jobbing prices or refuse to sell at jobbing prices to this concern?

4. What other arrangements might be made to provide for the situation without departing from regular policy?

Problem 230 Jobbers' Discounts

On what basis should jobbers' discounts be granted by a manufacturer of automobile accessories? The decision will frequently depend upon whether quantity alone determines the size of discount or whether recognized standing as a jobber is also required. A certain firm, in receiving an inquiry from a firm which has not handled the product before, usually writes as follows:

We very much appreciate your inquiry for jobbing information. With a clearly defined jobber policy such as ours, we feel that we are serving the best interests of the entire trade by being extremely careful that we do not quote jobber discounts except to concerns whose status as jobber in the automobile accessory field is clearly established beyond all reasonable doubt.

We readily admit that our present jobber list may not contain all such names, and therefore, when we receive such a request from a concern not on our list, all we ask is an opportunity to make our own investigation.

The enclosed questionnaire is prepared especially for this purpose, and we ask you to fill it out and return it to us in strict confidence. This will give us the information necessary to pass on the matter, and we will let you know the result as soon as possible.

If the inquiry is from a concern which has been handling the manufacturer's goods as a retailer, the reply is modified something as follows:

We very much appreciate your inquiry for jobbing information. Your desire to enter the jobbing field with our article pleases us especially, because it is unmistakable evidence of the growth of your own business as well as your good will toward our product.

We admit frankly that our policy in regard to offering jobber discounts is a very conservative one, and we believe it is for the best interests of the entire trade that it should be so. For instance, if we give you the jobber discount now, it is equivalent to taking away that amount of business from the jobber from whom you have been buying. He would naturally have just cause to complain, just as you would were positions reversed, unless it is clearly shown beyond any reasonable doubt that you are entitled to jobber classification.

For these reasons we ask you to fill out and return to us in confidence the enclosed questionnaire, which will give us the information necessary to make an intelligent decision. We have every desire to classify you as a jobber if we can conscientiously do so.

The questionnaire mentioned in the foregoing letters is printed on one letter-size sheet and reads as follows:

Question

Is this a satisfactory method of granting jobber discounts?

Problem 231

REDUCING PRICES TO MEET COMPETITION

The B. M. Dunn Company, of Cleveland, Ohio, manufactures builders' tools. Among other articles it produces files of quality grade. In August, 1921, the vice-president in charge of sales sent the following letter to the members of the board of directors in anticipation of a meeting which was shortly to be held.

We have just received notice that Brown has reduced his prices on files $12^{1}2^{e_{G}}$. This reduction probably applies to all his brands. It is most likely that the other file makers will follow Brown with a similar reduction. The question is what should we do.

Dunn files are probably better than any other brand made. Tests such as those shown in our Saturday Evening Post advertisement, June 1, which all of you will see, prove that Dunn files are worth at least 50% more in actual value as a permanent proposition. It will be necessary for us to get more for them than other makers get for theirs. Dunn files were consistently sold for years at prices running about 25% higher than other best makes. Last May we made a reduction of about 30% in our prices which brought our files 7% to 10% below other maker's best product, but we made it very clear at the time that this reduction was made in recognition of conditions calling for lower prices. Brown reduced his prices to meet ours. Both of his reductions together amounted to only about 20%, whereas our single reduction was 30%.

If we now made another reduction of $12\frac{1}{5}\%$ to keep our prices in line with Brown we fear that our customers will expect that this is to be our policy, and the very fact that we put the files on the same price as Brown, will make it harder for us to convince buyers that "they're worth more." It occurs to us that we can realize more on files by spending this $12^{1}2^{C_{\ell}}$ to make the files more salable, rather than giving them away at a lower price. The Dunn short line has merchandise possibilities that no other file line has. One idea we have is that we might get up a display case for the retailer's counter to contain most of the line of Dunn files. The case we have in mind is to be handsome, strong, and permanent. We might make it of mahogany work with a glass top which could be lifted in selling the file. It would contain compartments to hold a display of each of the 45 files. We would propose to give one of these cases to a retailer with an order for two gross of Dunn files. Roughly

speaking, we figure that our price to the jobber for two gross of files would be about \$50, and the case which we would give free would be worth about \$10. The jobber would therefore receive the files and the case combined for not any more nor less than he could buy the files from Brown in a case separately. The same would hold true for the retailer when he places his order. We would tell the jobber, and the retailer through our missionary salesmen, that this was Dunn's second step in making files a merchandise proposition instead of simply a competitive commodity.

Question

What action should the board of directors have taken on this recommendation?

PROBLEM 232

PRICE REDUCTION

On a declining market a certain shoe manufacturer finds that he can reduce prices to dealers $10^{C_0}_{.0}$, but not more. He is confronted with the possibility that, if he reduces his prices $10^{C_0}_{.0}$, the retailers will pocket the difference in cost and, as a result, the manufacturer will not feel the stimulation in sales to which he is entitled

Questions

From the view-point of the manufacturer, which of the following courses of action would be advisable?

(a) Reduction of prices 10%.

(b) Using the amount of the 10^{c_0} reduction in an elaborate advertising campaign.

(c) Reducing 5% and putting remainder in advertising.

PROBLEM 233 PRICE-CUTTING

A prominent sales manager states that there are three ways of preventing price-cutting:

- (1) Dealing direct with retailer;
- (2) Granting exclusive agencies;
- (3) Selling to the dealer at the same price, whether the order is for a large or a small quantity.

Questions

Is any one of these plans suitable for a manufacturer of

- (a) Silk dress goods.
- (b) Prepared cereals.
- (e) Advertised line of hosiery.
- (d) Electrical household devices.
- (e) Laundry soap (small manufacturer).

PROBLEM 234

MEETING COMPETITION OF INFERIOR GOODS

The LaSalle Manufacturing Company, of Chicago and New York, leading manufacturers of work shirts, have found that during the past year there has been a growing tendency for jobbers handling their lines to handle job-lot, broken merchandise selling at much lower than their prices and sold upon the basis purely of price and not upon quality. Jobbers in the past 10 or 15 years have built up the trade in the better grade of work shirts.

The LaSalle Company's product is sold on the quality basis, and it is impossible for the company to meet the prices which are being quoted on many of the

job-lots of inferior goods now offered by manufacturers who are not advertising a trade-marked line of work shirts. More specifically, the LaSalle Company finds that its sales are falling off, in spite of the fact that every advantage in reduction of raw material and labor has been passed on to the jobber.

Several suggestions are offered:

- (a) Revision of prices involving losses which cannot be continued for more than a few months.
 - (b) Producing inferior garments to meet prices.
- (c) Increasing sales efforts, probably at increased selling costs.

Question

Which, if any, should be adopted?

PROBLEM 235

Wholesale Grocers and Competition of Chain Stores

The secretary of a state wholesale grocers' association issued a circular letter to members of the association advocating the plan of establishment of chain stores by wholesale grocers. The claim is made that the chain store does not supplant the wholesaler for the less desirable element of foodstuffs distribution. The circular letter, as quoted from the Journal of Commerce, is as follows:

Leaving all other claimed savings out of consideration, let us study the chain store from the viewpoint of whether the chain store has effected a saving in the distribution of foodstuffs by the substitution of its method of doing business for the older method of the wholesale grocer. An examination of this will absolutely prove that it has not.

The wholesale grocer uses salesmen to call on his customers. The chain store has eliminated salesmen, but has

substituted in place of this expense the store inspector. There may be a fractional saving here, but it is fractional on the volume of business and is almost insignificant.

The chain store has reduced none of the other expense incident to the wholesale grocery business, and has the same overhead that the wholesale grocer has in serving entirely its 50 to 150 or more customers (its branch store) that the wholesale grocer has in partly supplying his 500 to 1000 or more customers.

The jobber has bad debts, which have lately been quite a disquieting item, while against this the chain store has the expense of a store which it operates unprofitably and perhaps has to close, and the chances of thefts by its employees and others in its branches.

Where then is the saving? It lies in the retail end of the operation entirely. It lies in the elimination of the credit risk, the elimination in many instances, of all service and in placing stores only in thickly populated centers, thereby not having to average profitable business against less profitable. For, it must be remembered, that chain stores do not serve all the people, but only a part; that no system has yet been devised which can operate successfully where the population is very sparse. With our older method of distribution it was necessary for the wholesale grocer to charge, consciously or unconsciously, a percentage of the cost of doing business in the less populous territory against the cost of doing business in the territory with the larger population.

We have, therefore, reached the point where we find the large part of the success of the chain store—the large part of the saving of the chain store—is for the benefit of the people in the congested sections at the expense of the people in the thinly populated areas. If we are to continue under the present methods—making no radical changes to meet these conditions—then the wholesale grocer of the future, and the near future at that, will be largely dependent on the country for his business, and the country will have to pay excessively for this service because of the reduced volume and because the city dwellers are getting the benefit of the higher prices in the country.

But this is not right, and there must be some method to overcome it.

After giving the matter our best thought, and after studying it from all angles, we see only one solution—provided the chain store is to become a recognized factor in distribution of food stuffs, and is to receive the buying privileges it demands—to eliminate the abuses of the present

system, and save the country folk from having to pay exorbitant prices for their supplies.

We do not say that our solution which is built on the hypothesis that we assumed at the beginning is the correct one, but after much thought it is to us the most logical that we can find to enable the wholesale grocer to continue serving the people as he has in the past.

The chain store's weakness is in spreading out. As long as it confines its operations to one city, under its present special privilege, it is almost impregnable, provided, of course, it is well managed.

In their anxiety to do a larger and larger volume, in their anxiety to control the whole situation, many chain stores are opening branches further and further away from their bases and each branch instead of strengthening is weakening their organization.

The logical operators of chain stores are our present wholesale grocers. They should continue to be wholesale grocers, not chain stores, but should have chain stores in their own home markets. They then could continue to get their volume in their home market, and this volume would be certain, on a profitable basis, while at the same time, because of this volume at home they would be enabled to fulfill their obligation to society by serving the country even better than before.

The country would not have to pay exorbitantly for the city's privilege of having the chain store, and the wholesale grocers' present plants, with all their machinery for handling this class of business, would be amply sufficient to handle it in this way.

There are many savings which would come to the wholesale grocer by his making this change. His trucking expense could be greatly reduced, as he would know exactly where his trucks would have to go each day, and he could adopt "sidewalk delivery" to his own stores. His buying powers would be greater, and his outlet for selling his stock would be much improved, as it is a fact that goods displayed in the retail store are half sold. His turnover would be greatly increased, and in many other ways he would reap a benefit.

To us, therefore—granting the chain store, with special privilege has come to stay—the logical and only method of working for the best interest of the public seems to be that the wholesale grocer should own and operate a system of chain stores in his home market, if it is large enough to justify it, and at the same time continue to serve his other customers to better advantage than before.

The Stuart Wholesale Grocery Company, located in Philadelphia, was founded in 1815. During the century or more of its existence, there has always been a member of the original family at the head of the business. The company buys from more than 500 producers and manufacturers, has a private brand in which the quality has been constantly maintained. About 10% of its goods are imported, particularly teas, coffees, spices, and certain fancy groceries. The business in 1920 was \$3,500,000. There are three branches in the larger jobbing centers in the vicinity of Philadelphia. The company sells to about 3,500 retail grocers. It has

been very much opposed to price-cutting.

Recently the members of the firm have viewed with growing alarm the very widespread development of the chain-store grocery business in Philadelphia. realize that there is probably no city in the country in which chain stores do a larger proportion of the city's grocery business. These and other chains have extended to smaller cities and even to the towns in which many of the customers of the wholesaler reside. Furthermore, the company finds that independent grocers are combining in cooperative buying organizations with the intention of going direct to the manufacturer and eliminating the wholesaler. One association of grocers has a central warehouse and purchases are made from manufacturers in lots sufficiently large to give them jobbing prices. While the policy of the Stuart Company has always been conservative with respect to annual increase in volume of business, the company fears the prospects of decline in sale due to the newer forms of competition.

Question

Should the Stuart Company establish retail stores as a means of meeting competitors?

PROBLEM 236

RETAINING DEALER GOOD WILL WHEN REDUCING PRICES

During the first week in March, 1921, the Columbia Graphophone Company used large advertising space in daily papers of various cities of the country to advertise a reduction in prices of the various models. The reductions were as follows:

Models	PRESENT PRICES	New Prices
[#] 101	\$275.00	\$175.00
#102	225.00	150.00
#103	165.00	140.00
#104	150.00	125.00
#105	140.00	100.00
#106	125.00	75.00
#107	75.00	60.00
#108	50.00	45.00
#109	32.50	30.00

Questions

- 1. Assuming that the company does not adopt the policy of protecting dealers from loss on stocks on hand when price reduction was announced, what arguments should the company use to persuade dealers to continue to push the product?
- 2. Write a letter to the dealers explaining reasons for new prices in an attempt to retain the good will of dealers during period of readjustment.
- 3. If adjustments are to be made, how should they be handled?

Problem 937

MEETING COMPETITION OF COOPERATIVE PRODUCING ORGANIZATION

During 1920 it was announced that the United Brotherhood of Maintenance of Way Employees and Shop Laborers had purchased the canvas glove factory of Bacon Brothers, at Toledo, Ohio, and had turned its entire facilities to the making of work gloves for the members of this railway union. Factories are already operated by the Brotherhood in two Michigan cities, where overalls, underwear, gloves and hosiery are made to sell to members at cost. A saving of 35% to 60% over prevailing prices is claimed. In gloves alone these factories will have a productive capacity of 24,000,000 pairs per year.

Members of other brotherhoods are also permitted to purchase from the union-owned factories. Cooperative factory-made goods are sold to members through mail-

order retail stores.

Question

What steps, if any, should a canvas glove manufacturer take to meet this competition?

Problem 238

MEETING COMPETITION OF SUBSTITUTES

The American Laundry Machinery Company manufactures a complete line of machinery for installation in steam laundries. The activity of manufacturers of electric washing-machines for the home has resulted in increasing the amount of washing done at home.

Question

What should the company do?

Problem 239

Broken Package Room

The Federal Wholesale Grocery Company, located in New York City, had annual sales amounting to approximately \$7,000,000 in 1920. The Company's operating expenses for that year were 8.5% of net sales and the gross profit 9%. The company did a large volume of business in staple and medium-priced groceries. Its sales had been confined to three main groups of customers; local retailers, retailers in many parts of the United States outside of the local districts, and hotels, steamships, and institutions.

Although during the 10 years previous the sales of this company had heavily increased, the sales to local retailers, which in 1920 amounted to about one-fourth of the total business, had increased only in proportion to the increase in prices. In other words, the physical volume of sales to local retailers had remained prac-

tically constant.

In the opinion of Mr. John Barber, the sales manager, the best prospects during 1921 and succeeding years for increasing sales lay in developing the trade with the local retailers. Although the sales to outside retailers had shown greater increase, he considered that the limit had nearly been reached for such sales, as freight rates constituted a serious obstacle in selling to the retailers outside of the local district. The competition for the hotel, steamship, and institution trade had become extremely keen, and Mr. Barber did not think it possible for the company to expand this trade at a rapid rate. His sales to this group amounted to approximately 50% of the total sales of the company.

Numerous unit stores had been opened in the local territory of the Federal Wholesale Grocery Company, and some of the local merchants had opened branch stores. Mr. Barber's selling organization had not made any specific drive on many of the financially sound

retail stores in the local territory.

On investigating the possibilities of developing the local trade Mr. Barber found that one of his com-

petitors, who did a large local business, operated a broken package room. This competitor's volume of sales was slightly less than \$3,000,000 a year.

Later Mr. Barber learned that the Harvard Bureau of Business Research had made a preliminary investigation of broken package rooms. The following report was published in one of its bulletins:

Seventy-one wholesale grocers stated that they had a broken package room. Twenty-nine stated that they did not have a broken package room. The firms reporting that they were not operating a broken package room generally had a volume of sales less than \$1,000,000 in 1919. fourths of the firms that were operating a broken package room, on the other hand, had sales of more than \$1,000,000 each in 1919. The expense for wages of receiving, handling. and shipping force was slightly higher in the case of firms operating a broken package room than for those firms that did not follow this policy. The difference in total receiving, handling, and shipping expense between these two groups was about one-fourth of one per cent of net sales. number of employees in a broken package room was generally The largest number was twenty-one, but only two firms had more than five each.

A comparison of the rate of stock-turn in these two groups of businesses was made, but it did not show conclusively that there is a substantial difference in the rate of stock-turn whether or not a broken package room is operated. Numerous firms operating a broken package room had a high rate of stock-turn, and it appears that other policies of management have more to do with the rate of stock-turn than the policy toward a broken package room.

Question

Should Mr. Barber have installed a broken package room in order to increase his sales in the local territory?

Problem 240

Disposition of Surplus Stocks

(a) The Stratton Company has its own chain of jobbing branches dealing with retailers. The company's plan of operation calls for canvas footwear stock on September 1 in these branches to be \$500,000. This is scheduled as the date of price change. Further, fall shipments to dealers are customarily made at this time on the basis of orders taken earlier in the year. If shipments are not made soon after September 1, they must usually beheld over until February of the following year. At this time, the indications are that the change in price on September 1 will be in the direction of a reduction of from 15 to 20%. Knowing this, retailers tend to buy from hand to mouth in the six weeks preceding; inventory August 1 shows an increase due to delayed purchasing.

Questions

- 1. What should the company do to dispose of this large stock of canvas footwear, which might be left in its branch warehouses?
- 2. To sell at a reduced price would tend to demoralize the market. Should they carry the goods over, taking the decline in value and assuming carrying charges?

(b) In the factory-made clothing industry there is also a very important problem connected with goods left in the hands of the manufacturer at the end of the season. If the manufacturer has misjudged the style trend as to fabric or cut, he may find himself with a large stock at the end of the season, which it is necessary for him to dispose of as quickly as possible in order to

avoid still larger loss. Likewise the stock of left-over goods is increased by cancelations and returns, which seem to have been a perennial affliction of the clothing manufacturer. Most manufacturers are compelled to work off these left-overs (or what threaten to be leftovers) by selling through the regular season and as early in the season as possible. Wherever it is the judgment of the manufacturer that styles will be repeated during the coming season, left-overs are carried over and sold at prevailing prices during the following season. Shipping goods on consignment is one method of disposing of left-overs. The customer is requested to accept the shipment, sell as much as possible, and return to the factory such goods as cannot be disposed of. times a minimum price is fixed below which no goods may be sold. Jobbers, mail-order houses, and certain stores in almost every city make a practice of buying large quantities of left-over stock at the end of the Department stores are said to be generally in the market, but demand reduced prices. Such purchases are made the basis of end-of-the-season sales. particularly where normal stocks of the retail concern are much depleted. Left-over goods must usually be sold at a considerable sacrifice, varying from one-third to one-half below established prices.

Questions

- 1. Is consignment the only solution?
- 2. Is it possible to avoid left-overs?

PROBLEM 241

Auction Method of Disposing of Surplus Stocks

In February, 1921, Smith & Company, as selling agents and controlling factors in the Amherst Mills, which manufacture hosiery exclusively, found themselves with a surplus of some 5,000 cases of first-quality goods, each ease containing 30 to 60 dozen 2-thread lisle and mercerized hosiery, both men's and women's. It was proposed that an auction be arranged to dispose of this stock. As far as possible financial loss is concerned, the company feels able to stand it.

Questions

- 1. Under the circumstances, is an auction advisable from the view-point of retaining good will of present distributors?
- 2. If an auction should be decided upon, what eredit terms should be granted?

Problem 242

FOLLOW-UP LETTERS TO CORRELATE ADVERTISING AND PERSONAL SALESMANSHIP

The Harrison Company for many years manufactured a well-known line of toilet preparations, of which a trade-marked face powder has been advertised in the past and is in demand particularly among older women. Through competition the price of this powder, supposed to be 25 cents, was driven down to 15 cents. It was felt that national advertising was necessary to create demand among young women, but that advertising directed specifically to this powder would not help the price-cutting situation.

Consequently, the company started to advertise a new brand in a more expensive powder selling for 50 cents. With a comparatively small appropriation, together with a strong quality appeal in copy, national distribution was achieved in less than a year. Likewise, as was hoped, the new powder helped the sale of the old and pushed up its price.

Although the concern has a corps of salesmen calling upon retailers, all orders are credited to jobbers and goods are distributed through the latter. One of the prime functions of the salesman is to drive home to the dealer the value of the company's advertising. Salesmen are provided with a portfolio containing reproductions of the advertisements to present to dealers, and less comprehensive portfolios have been mailed to the trade all over the country.

The sales manager feels that the efforts of salesmen should be backed up by a mail campaign and has decided that three follow-up letters should be written after portfolios have been mailed. It seems to him that the letters should contain reference to the following points: advantages of new powder, its profits, how advertising helps, offer of glass sign, statement as to doubling of advertising campaign, etc.

Question

Prepare three letters which might be used for this purpose.

PROBLEM 949

METHODS OF AVOIDING LOSS FROM OBSOLESCENCE

The Holden Graphophone Company, of Cleveland, Ohio, is a large manufacturer and distributor of graphophones and graphophone records. This company specializes on the records of popular music; approximately 85% of its records are of this type. The records are distributed through a group of selected, exclusive agents. It is the policy of the company to induce agents, insofar as it is legally possible, to maintain a standard resale price. Inasmuch as the distribution is through exclusive dealers, such a policy has been successfully carried out.

The life of any popular piece of music is comparatively short; after the public demand for a popular song has died out, it is very difficult to dispose of a record bearing that piece.

Questions

- 1. What measures should be taken by the Holden Company to protect dealers from loss from obsolete records?
- 2. What measures could be taken to prevent the loss incurred from the production of records beyond the public demand?

PROBLEM 244

CLAIMS AND ALLOWANCES*

It happens not infrequently that goods are lost or damaged in transit between jobber or manufacturer and retailer. Claims for such loss or damage are usually made in three ways:

- (1) Customers make their own claims, furnishing all necessary papers and carrying on correspondence independently;
- (2) The jobber or manufacturer furnishes all necessary papers, carries on the correspondence, and files the claim for the customers' account without, however, crediting the customer's ledger account;
- (3) The jobber makes the claim for his own account, crediting the customer's ledger account with the loss or damage claimed; under such a plan the duty of the customer does not extend beyond having the freight receipt provided with a notation "In bad order," signed by the local agent.

In the wholesale grocery business, the custom of having the customer handle the entire transaction himself is uncommon, because for various reasons it has become the custom in certain parts of the country for grocery wholesalers to handle all the details for the retail customer and frequently to credit the retailer's account upon presentation of the claim and freight receipt with notation. The following are typical opinions on this policy:

A large western grocery concern:

We have for many years performed this service for our customers and do not believe it is very burdensome. In fact, we look upon it as a necessary part of the service which the wholesaler must do for the retailer, principally because we are so much better equipped to handle this work than the retailer.

^{*}Bulletin National Wholesale Grocers' Association.

A South Dakota wholesaler:

All jobbers no doubt will acknowledge that it is a burden to make claims for the retail grocer, but I cannot see how they can get away from it. The average retail grocer is not prepared to file his claim; and, if he does file it, he keeps no record. The retail grocer, as a rule, needs help and this is one of the ways the jobber can assist him.

A New Orleans jobber:

We consider this practice expensive and burdensome to wholesalers. We ourselves are actively doing it, notwithstanding the fact that we have been trying for the past eighteen months to get away from it. The retail trade has been educated to the fact by inferior salesmen that they need not pay for goods lost in transit. Of course, if the wholesaler intends to keep the good will of his customers, he must necessarily file a claim for his account for self-protection.

A Michigan company:

We discontinued this practice two years ago. We found it caused considerable work in our office, tied up more or less money in our book accounts, as our customers expected eredit when they filed claims and would not wait for the railroad company to reimburse us. We had several claims returned because the goods had subsequently been delivered. We also felt that, if the customer gave his own claim, it would give him a better conception of what transportation is. At first, we had some trouble, but as all jobbers in Michigan have taken the same stand this is now accepted as a part of the retailer's responsibility and has worked out to the advantage of all concerned.

An Iowa wholesale grocer:

I will admit that filing claims for customers is somewhat burdensome. However, we have tried it both ways. The jobbers in our section tried to eliminate this practice, but found that the troubles and annoyances were so great and added so much more to the retailer's troubles that we went back to the filing of these claims and making the adjustments accordingly with the retailers interested.

A St. Louis jobber:

Filing claims is one of the greatest annoyances that has crept into wholesale grocery business. We do not think it can be remedied, as wholesale grocers in general are not always honest toward one another. If we should agree to

cut this out, there are a few who would do otherwise in order to obtain a customer.

Another wholesaler:

In our opinion, the practice of filing claims for retailers is wrong in principle. However, for a good many years we have been doing this. Retail grocers in small towns do not seem to understand how to file claims, even though they are told, and it is much better for jobbers to file these claims in their own offices than to have customers hold up claims on shortages. For this reason, we insist upon our traveling men getting freight bills with proper shortage notices whenever bills are short or reach customers in bad order. Then the accounts are credited and the claims filed

Questions

- 1. What policy should a manufacturer of breakfast food adopt with reference to claims for shortage?
 - 2. In case of drop shipments sold direct?

PROBLEM 245

CUSTOMER RELATIONSHIP—CANCELATIONS

The Dundee Company manufactures a complete line of tags, fancy boxes, and paper specialties. Mr. Schmidt, a jeweler, has for years been a small customer of the company. In April, 1921, he placed an order for \$100 worth of jewelry boxes. The order called for the printing of the customer's name in gilt letters on the covers of the boxes, both inside and out. Mr. Schmidt was promised delivery the middle of May, but through some difficulty the boxes were not shipped until the first week in June. On June 20, the sales manager received a letter from the customer in which he expressed great displeasure at the way he had been treated, and stated that he had sent the boxes back.

At the same time, the sales manager received notice from the receiving room that the shipment had come back and was awaiting his action.

The policy of the Dundee Company is to accept no cancelation except in those cases in which the merchandise is not satisfactory or the company is clearly at fault.

Question

What should the sales manager do in this case?

PROBLEM 246

CUSTOMER RELATIONSHIP—CANCELATIONS

J. F. Jones, a hardware wholesaler, has been a steady customer of the Londes Company, manufacturers of tags and paper specialties, for a number of years, though his purchases have never been large. In June, 1921, he placed an order with a salesman for about \$75 worth of merchandise. Included in the order was an item for 1,000 shipping labels. These were a gummed label bearing Mr. Jones' name. They were listed in the catalog and sold on this order at \$8 a thousand.

In making up the order the company made a mistake and printed 2,000 labels, which were billed and shipped to the customer. Immediately the management received notice from Mr. Jones that more labels had been shipped than were ordered. Furthermore, he found that he could get labels which would suit his purpose from a competitor of the Londes Company for \$2.25 a thousand. He expressed the opinion that he was being overcharged and said that he would return the labels unless the company was willing to give him

the same price as the competitor. In this case he would take the 2,000 labels.

The policy of the Londes Company has been to accept no cancelations except in those cases in which the fault lies with the company. It has been successful in closely adhering to this program and has been able to hold the good will of its customers.

Question

What should the sales manager do?

PROBLEM 247

RELATIONS WITH COMPETITORS

(a) Two manufacturing drug concerns have adopted different plans of selling their goods. Wood, Durand & Company sell through their own salesmen both to large retailers and to jobbers. On the other hand, the Davis & Cox Company, a firm almost as large, sells only to selected jobbers, but it maintains a sales force of about 300 men to call upon medical men and retailers in order to stimulate the sale of the company's products. Every salesman of the Davis & Cox Company must be either a graduate physician or a registered pharmacist.

Questions

(1) Assuming selling costs of the two firms to be ap-

proximately equal, which is the better method?

(2) What arguments can the Davis & Cox Company offer the retailer, who would rather deal directly with the manufacturer, when he finds that he must order through the jobber?

(b) One of the customers of the Davis & Cox Company is the Jones Wholesale Drug Company. The standard of compensation of the Davis & Cox Company for its trade salesmen is slightly higher than that of the Jones Company for those salesmen who call on the same trade. The star salesman of the Jones Company applied in writing to the Davis & Cox Company for a position as salesman.

Questions

1. What should be the reply of the latter?

2. Under what circumstances, if any, should the manager of the company consider the application?

3. If it should consider the application, what attitude should be taken toward advising the Jones Company of its intentions?

PROBLEM 248

COORDINATION OF SALES AND PRODUCTION

The Penn Paper Box Company is located in one of the suburbs of Philadelphia. Its product consists almost entirely of small cardboard boxes used as containers for various kinds of package goods. For example, among its products at the present time are candy boxes, soap containers, packages for tea and coffee, and boxes of various sizes for different kinds of dry-goods. Because of the bulk of made-up boxes the market is restricted to local territory. The company is one of the largest in its section; at full production about 200 workmen are employed, while sales average about \$400,000 a year.

The sales are in charge of the president. Two salesmen are employed. These men give little or no time

to actual soliciting on their own initiative, but interview a prospective customer only when the latter has called for a bid on a certain type of box. Since such boxes are made for a specific product, and are covered with the customer's wrapper, the Penn Company cannot manufacture for stock in dull times, for there is no standard product. The present arrangement has made it difficult for the sales department to furnish a uniform and a continuous volume of orders for the production department. In fact, fluctuations through the year have been very marked; at times the factory has been rushed with orders that it could not fill: at other times the plant has had to run on part time for lack of work.

Ouestion

What measures should the sales department take to insure more continuous production?

PROBLEM 249 Sales Practices

The traveling salesmen of St. Louis have formed an association, the object of which is stated as follows:

(1) To stop the pernicious custom of jobbing houses offering 5% relate on specialty orders;

(2) To keep a close check on manufacturers selling

chain stores:

(3) To insist upon specialty salesmen putting a price upon all specialty orders:

(4) To force specialty salesmen to allow orders to fall as they will, without suggestions on their part as to the jobber.

Questions

1. Should a manufacturer of food products using specialty salesmen to develop retail trade encourage the continuation of the association on the basis of its declared purposes?

2. Should a wholesale grocer advise his salesmen to

become members?

PROBLEM 250

Unfair Trade Practices

The Sales Managers' Bureau of the St. Louis Chamber of Commerce, in a letter to members on the subject of the "menace of collective buying," states that the following practices result in destructive and demoralized trade conditions:

(1) Cut prices.

(2) Buying power stating the price.

(3) Syndicate and purchasing company buying.

(4) Split shipments.

(5) Non-kindred buying.

(6) Consignments to consumers.

(7) Guarantee against price decline.

It is recommended that manufacturers, jobbers and dealers adhere rigidly to legitimate distribution as that term is known and understood in each industry.

Question

What problems confront the sales manager in connection with the practices enumerated?

PROBLEM 251 Unfair Trade Practices

One of the activities of the Federal Trade Commission is the enforcement of the provisions of the Clayton and Sherman Acts with respect to unfair trade practices. Many, if not most, of these practices have to do with sales activities. The following are activities concerning which complaints have been brought before the Federal Trade Commission.

Against an oil company:

Stifling and suppressing competition in the manufacture and sale of lubricants, etc., by price discrimination and by fixing its sales price or rebate on the condition that the purchaser shall not use the goods of competitors.

Against a biscuit company:

Stifling and suppressing competition in certain bakery products by means of a system of rebates and discounts calculated to cause the trade to purchase its goods either largely or exclusively and by making contracts with advertising agencies which tend to stifle and suppress competition.

Against a mailing-device corporation:

Stifling and suppressing competition of its sole and only competitor, the X Company, in the manufacture and sale of its product in interstate commerce by selling its products at and for a price which is less than the cost of selling and producing the same.

Against a toy manufacturer:

Unfair methods of competition in the sale of X mechanical toys by vague and indefinite threats, not made in good faith, to institute legal proceedings against their competitor's customers for alleged unfair and unlawful competition with the X outfits and books of instruction.

Against a company manufacturing several models of vacuum-cleaning machines:

Stifling and suppressing competition in the manufacture, marketing, selling and reselling of its vacuum-cleaning machines by fixing the standard resale prices and refusing to sell to those who fail to maintain such prices, price fixing or establishing discounts or rebates on condition that the purchaser shall not deal in the goods of competitors, the effect of which is to substantially lessen competition and to tend to create a monopoly.

Against a lumber company:

Engaging in a combination to suppress competition in the lumber and building-material trade with the purpose of driving mail-order houses out of the retail lumber business and forcing consumers to purchase supplies of lumber from local dealers and carried out by procuring manufacturers to discontinue furnishing information to competitors, by stealing trade secrets, spying upon the business of competitors, submitting to them bogus and spurious inquiries for estimates, quotations, and other printed matter relating to the use of lumber.

Against the Wholesale Saddlery Association of the United States and the National Harness Manufacturing Association of the United States:

Engaging in a combination and conspiracy to discourage and suppress competition in the wholesale harness and saddlery trade by unfair hampering and of certain competitors not members of the Wholesale Saddlery Association, by inducing manufacturers of saddlery accessories to refuse to recognize such competitors as legitimate jobbers or wholesalers entitled to jobbers' or wholesalers' discounts and terms.

Against a packing company:

Using the following unfair methods of competition: fixing a schedule of resale prices for a cleansing preparation and enforcing maintenance thereof by means of

agreements with jobbers and wholesalers and threats to discontinue selling its products to jobbers failing to maintain resale prices thereof; by selling at lower prices to jobbers and wholesalers maintaining resale prices; by procuring jobbers and wholesalers to refrain from selling its product to other jobbers and wholesalers failing to maintain the resale prices thereof; and by diverting the sale of the trade-marked cleansing preparation from retailers and jobbers failing to maintain the resale price.

Against a Chicago manufacturer:

Attempting to lessen competition and create a monopoly by selling and contracting to sell sheep-clipping and horse-shearing machines by agreement on the part of purchasers not to deal in similar products manufactured by competitors of respondent.

Against a paint concern:

Using an unfair method of competition in the sale of varnish and kindred products, consisting in giving gratuities of different kinds, including sums of money to the employees of customers and prospective customers and the customers and prospective customers of competitors as an inducement to influence their employees to purchase respondent's product and to refrain from purchasing those of respondent's competitors.

Against the manufacturer of a brand of linoleum:

Using an unfair method of competition in the sale of floor covering by representing to the public a certain product composed of felt base, impregnated with asphaltum and painted to represent linoleum.

Against a coffee concern:

Using an unfair method of competition in the sale of coffee and tea: namely, offering as inducement to purchase respondent's products certain coupons redeemable in prizes and premiums distributed according to lot.

Against a rubber company:

Stifling and suppressing competition in the sale of automobile tires by fixing and maintaining resale prices. requiring dealers to maintain such prices, and refusing to sell to those who will not maintain such resale prices, falsely that it furnishes certain unique services which are such as are ordinarily furnished by retail dealers, compelling dealers to carry excessive stocks. refusing to allow dealers to make adjustments on unsatisfactory tires, requiring dealers (who also handle automobiles) to specify X tires on all automobiles. motor trucks, and motor cycles ordered by them. requiring dealers to permit respondent to make inventories of all tires handled by such dealers, compelling dealers to refrain from competitors' tires as substitutes for respondent's when such dealers are unable to furnish sizes of respondent's tires requested, selling tire-applying machines to dealers, but restricting use of them to correspondent's tires, selling consumers direct at the same price as dealers when such consumers will agree to use respondent's tires exclusively, selling its products on the condition, agreement, or understanding that the purchaser shall not use or deal in the goods of a competitor.

Questions

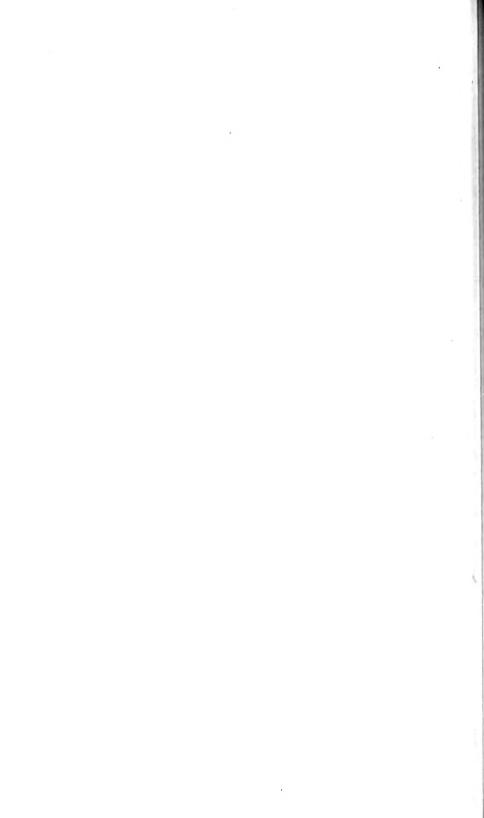
1. Assuming that the facts bear out complaints in each case, what should be the attitude of the sales manager toward each practice on the basis of business expediency?

2. Does long-run development of the business

require any change in this attitude?

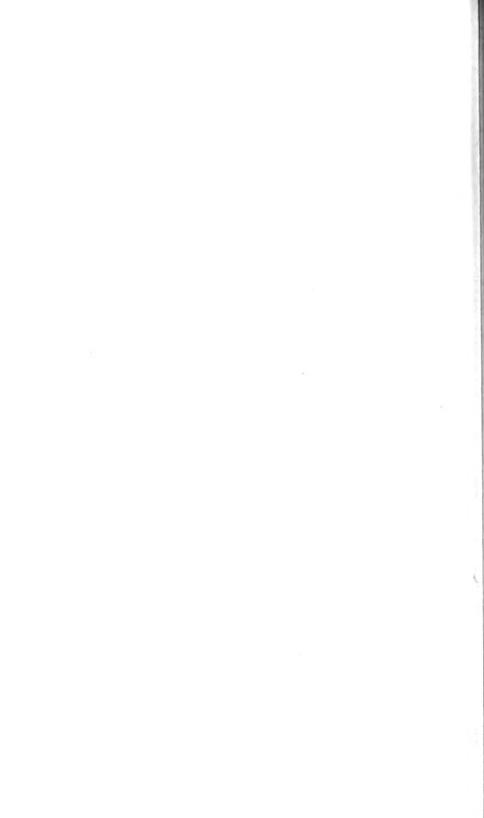
3. Which of the above practices are clearly detrimental to both the public and to business in general?

4. Which practices can be considered of doubtful value from the view-point of the sales manager?



PART VI

SALES OPERATIONS— MANAGEMENT OF SALES FORCE



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OUTLINE

- A. TRAINING OF SALES FORCE.
 - Advantages and disadvantages of specialized training of salesmen.
 - 2. Factory training versus special-school training.
 - 3. Requirements for training and lengths of course for specific products.
 - 4. Organization of courses and financing of instruction.
- B. Compensation of Sales Force.
 - 1. Various plans of compensation.
 - 2. Applicability of salary plans to different types of business.
 - 3. Advantages and shortcomings of commission payment.
 - 4. Salary-plus-commission plans.
 - 5. Bonus, profit-sharing, and other plans.
- C. Management and Supervision of Sales Force.
 - 1. Equipment.
 - (a) Portfolios, samples, models.
 - (b) Automobiles; supervision.
 - (c) Other equipment.
 - 2. Supervision and Control.
 - (a) Reports of salesmen, types of reports; methods of handling; action required.
 - (b) Reports of field managers and of district and branch managers: nature of reports, treatment, and action required.
 - (c) Expenses accounts; policy and methods of supervision.

- 3. Cooperation of sales department with sales force.
 - (a) Methods of cooperation with salesmen in field
 - (b) Securing cooperation of salesmen in advertising.
 - (c) Securing cooperation of salesmen in use and distribution of dealer helps.
 - (d) Intra-departmental correspondence.
- 4. Stimulation of sales force.
 - (a) Reasons for special methods of sales stimulation.
 - (b) Sales contests: advantages and disadvantages.
 - (1) Methods of organizing.
 - (2) Typical sales contests.
 - (c) Sales conventions.
 - (1) Cost and benefits.
 - (2) Organization of sales conventions.
 - (3) Typical sales conventions.
 - (d) Prizes, bonuses, and other methods of sales stimulation

GENERAL QUESTIONS*

A. Training of Sales Force.

Should a concern hire experienced or inexperienced salesmen? Is training necessary for experienced salesmen, provided (a) they have sold similar lines; (b) they have been engaged selling different lines, but reaching the same class of dealers? What are the advantages and disadvantages of hiring untrained salesmen? should salesmen be trained? Under what conditions is it advisable to establish a special school for training salesmen? What are the advantages and disadvantages of the types of training used by representative concerns? What are the requirements for a successful training In what matters should instruction be given? What should be the length of the course? How should candidates be selected? What arrangements should be made as to payment of candidates during the period instruction? How should courses be financed? Should training courses be open to old salesmen as well as to new recruits to the sales force? Should concerns with national sales organizations attempt to bring salesmen to the manufacturing plant or should separate sales schools be held in separate sales districts?

B. Compensation of Sales Force.

What are the advantages and disadvantages of the various methods of compensation for salesmen now in use, such as salary, salary and commission, salary and bonus, pure commission, and others? To what extent is the selection of plan for payment of salary dependent (a) upon the customs of other firms in the same line; (b) upon the nature of the business; (c) upon the financial resources of individual concerns; (d) upon the character of the salesmen? Under what conditions is the salary plan of compensation practical? When should the pure commission method be used? To what extent are bonus, profit-sharing, and other plans successful as a means of securing the best efforts of salesmen?

C. Management and Supervision of Sales Force.

When should salesmen be provided with automobiles? What methods should be used to supervise the use of automobiles by sales force?

How is the selling equipment of salesmen determined? What experience should govern the selection and preparation of samples, models, portfolios, and other equipment, for salesmen?

What reports should be required of salesmen? To whom should such reports be sent? How should they be handled at headquarters? What reports should be made by field managers, by district managers, and by sales managers?

How should expense accounts be supervised? Should the company act liberally in granting expense accounts or limit expense items carefully? Should the method of compensation be so designed that expenses are borne by the salesmen themselves?

Why must methods be devised for cooperation of sales department with salesmen in the field? What is the value of the usual methods of contact, such as sales letters, house organs? How should the cooperation of salesmen be secured in connection with advertising carried on by the company? In what way can salesmen be induced to be of service in securing the distribution and use of dealer helps?

Should sales contests be used? What are the requirements for successful sales contests? How should sales contests be organized so as to secure the interest of all

members of the sales force? In conducting contests or rewarding special efforts, what should be the nature of prizes or bonuses offered?

What should be the attitude of the company toward sales conferences? Should salesmen be encouraged to visit the main office at frequent intervals? When should general conventions of salesmen be held? Under what conditions is it advisable to hold district or smaller conferences, in lieu of national sales conventions? How should sales conventions be planned?*

Problem 252

Special Training Schools

Every department of a business organization is confronted with problems of selection of personnel and their training for specialized duties in the organization. Technical schools, trade schools, apprenticeship systems are of assistance particularly to the manufacturing executive. In selling departments, while business training has in the past been available and of great assistance to executives, in practically every case a concern must provide for detailed training in the policies and methods of the particular concern. This may be secured gradually through experience and observation while engaged in the performance of assigned duties, but in other cases the employee is expected to absorb as much as he needs without specific guidance or training. On the other hand, a considerable

*The management of salesmen is discussed in A. W. Shaw Company, Selling Series, Handling Salesmen at Lower Cost; A. W. Shaw Company, Organizing for Increased Sales; J. G. Frederick, Modern Salesmanagement; D. Appleton & Company, Chapters XH, XHI, XHY, XY, and XYI; A. W. Shaw Company, An Approach to Business Problems, Chapter XH; A. W. Shaw Company, Library of Business Problems, Chapter XH; A. W. Shaw Company, Library of Business Proclice, Volume 44, pages 77-136; the following Dartnell Reports: Profit-sharing Plans for General and Sales Executives, Salesmen and Office Workers; Review of Types of Bonus Plans in Use; A Report of Investigations Made Among Leading Concerns in Varied Lines of Business to Secure Information Regarding Application and Use of Quota Plans of Demonstrated Value; A Special Report Showing Comparative Methods of Compensating Salesmen, Salaries and Commissions Paid, Average Earnings, Percentage of Salary Increase. The Burgau of Business Research of Harvard University has published Methods of Paying Salesmen and Operating Expenses in the Wholesale Grocery Business in 1918. Among the works on salesmanship should be mentioned Harold Whitehead, Principles of Salesmanship, Ronald Press Company; S. R. Hoover, The Science and Art of Salesmanship, Macmillan; Norval A. Hawkins, The Selling Process, Norval A. Hawkins, Detroit; A. W. Shaw Company, The Knack of Selling; National Salesmen's Training Association, The Art and Science of Selling (8 volumes).

number of larger enterprises find it advisable and necessary to provide specifically for training, in order that they may be assured of a supply of sufficiently skilled or trained workers. Special training schools are, therefore, established, some of them providing for training men only in the production departments, others only for sales departments, while a number undertake to provide training for both producing and distributing forces.

The Duncan Company manufactures a line of machine tools and gasoline engines, which it sells through an extensive branch office organization direct to factories and users of mill supplies. In addition to the lines it manufactures in its own plants, it handles an extensive line of other types of machines in more general use, such as drill presses and the like, together with a complete line of mill and factory supplies. In the past, salesmen of the company were drawn largely from the factories of the company, but these have been supplemented more and more as the company grew by salesmen who have had experience in allied trades or with competitors and by men taken from technical and trade schools. No formal training has been provided, but new recruits to the sales force are expected to spend a short time in the plants of the company, there to observe how the products are made. While at headquarters they also are given talks by the sales manager and other department executives, each upon the work of his own department. They are then assigned to the various branches, where they spend a few days traveling with one of the older salesmen; after that, they are sent out independently to visit customers and prospects. The vice-president in charge of sales is not at all satisfied with the results obtained by his sales force. While he admits that more care must be taken in selection, he feels that a definite course of training should be arranged. In a report to the president, he advises the establishment of as pecial training school. but states that he is undecided as to the type of school necessary. He has referred the president to a report

of the Fifth Annual Convention of Corporation Schools, of which the firm is a member. From this he gives the following extract:

Special training schools are of three general types:

Type 1 - Company Business -Study Courses

The distinguishing feature of this plan—the studentemployee spends all of his time in studying, not being expected to do any productive work during the period of training. It is designed to get definite results and get them quickly.

Purpose:

(a) To teach specific duties and

(b) To give a broad knowledge of the business—that is, its organization, policies, products and methods.

Results:

(a) Employees expected to be brought to highest

effectiveness in shortest time;

(b) Employees' fitness for some branch of the business discovered; a broader knowledge makes for more intelligent cooperation, fewer mistakes and more interest in the business.

Characteristic features:

Student's time entirely non-productive;

Students are selected by the company;

Attendance is compulsory;

Attendance is on company time;

Students receive pay while taking the course;

Length of course—comparatively short, usually less than six months:

Students are grouped at or sent to the most convenient place for instruction;

Small groups, intensive instruction.

Students:

Selected by Training Department, or

Selected by Employment Department and approved

by Training Department, or

Selected by company officials;

Selected by branch managers.

Educational methods:

Definite plan and outline for entire course;

Classroom work—recitations;

Individual conferences with instructor;

Written or oral reports on work:

Written or oral examinations:

Home reading and study:

Observation trips:

Talks by company officials;

Records kept of success in educational work;

Records kept of personal characteristics;

Records kept of success after completion of course:

Full-time instructor;

Specially prepared texts.

Expense:

For teaching specific duties—charged to department using employees:

For teaching business as a whole—charged to general

administration:

The principal factor of expense in the order given—student salary; supervision salary; service charges and equipment.

Factors controlling success of this plan:

Selection of students;

Definite plans and intensive instruction;

Close supervision;

Constant revision of study material.

Type 2—Company Business—Study and Practice Courses

In this type of training there is less emphasis on the study side and more on the experience in working departments. The proportion varies a great deal. In some, the time on study work is but a small percentage of the total time, while in others as much as half is spent on the study and instruction work. The student is expected to do some productive work, which is chosen on account of its educational value. In general, these courses are longer than those of the first type.

Purpose:

To give an insight into a business as a whole.

Results:

Employees' fitness for a particular part of the business discovered:

New employees lay a foundation of useful knowledge upon which they can specialize.

Gives an intimate acquaintance with personnel and plant.

Characteristic features:

Students' time partly productive;

Students are selected by the company;

Attendance on related instruction work is compulsory:

Instruction work usually is given on company time; Students receive pay while taking the course;

Length of course varies from several months to four years—the majority are about a year;

Instruction work is done in groups;

Varied work assignments under actual working conditions:

Great variety of experience in comparatively short time.

Students:

Selected by Training Department, or

Selected by Employment Department and approved by Training Department, or

Selected by company officials.

Educational methods:

Definite plans for entire course;

Training Department shifts men to give a variety of experience:

Work assignments chosen on account of their value as experience:

Order of taking up various work determined by Training Department;

Reports on work done in various departments;

Outside reading required;

Observation trips to related work;

Talks and conferences with instructors and company officials:

Record kept of success in educational work and after completion of course:

Reports received from departments in which student is working:

Full-time instruction on study work;

Supervisor, of experience in working departments;

Specially prepared texts for study work;

Specially prepared work schedule with notes relating work experience with study material.

Expense:

Charged to general administration;

Provated to departments using the students permanently;

Portion of salary not earned in departments where students are assigned for experience charged to the training department.

Factors controlling success of this plan:

Selection of students:

Definite plans:

Closely related instruction:

Cooperation of departments in which students

are assigned for experience:

Authorized and watched by high company officials; Careful choice of order in which the work is assigned; Not expecting departments not to retain men to bear cost of giving them experience.

Type 3—Company Business—Work Courses

This type course omits practically all of the study features of Type I and emphasizes the varied work feature of Type 2. In general, the training covers a longer time. The demands of the productive work are the controlling factor.

Purposes:

Opportunity for practical experience;

To maintain a group of trained men from which some may be selected for more responsible work; To train employees for more versatility in the company's business.

Characteristic features:

Employees' time is expected to be entirely productive:

No time is given at company's expense for related instruction:

Students are selected by the company;

Students' work entirely similar to that of other employees:

Students are assigned to several departments;

No special supervision is given, except by regular department executive:

Student may continue more or less indefinitely in a department if the production needs demand it.

Students:

New employees:

Selected by Employment Department.

Educational methods:

Variety of experience by assignments to typical departments;

By observation of related work; By questions to fellow-employees; By repetition to gain skill.

Expense:

No separate account kept:

Expense absorbed by department in which the men work.

Factors controlling success of this plan:

Selection of students;

Cooperation of departments in which students work; Arrangements by which student's requests for transfers to other work can be considered.

The following are specific examples of the three types taken from the same report.

Addressograph Company

The training work of the Addressograph Company is confined to the training of salesmen. There are three classes of this service, sales correspondent, advertising men and branch manager. The course of training consists of lectures, study of text-book and manual, class recitations and examinations, the study of actual machine models and demonstrations. It is the object of the course to give every new man a clear conception of the manner in which business in general is transacted and a thorough knowledge of the history of the Addressograph and its application and use in various kinds of business.

The company

2. Nature of business: Manufacture and sale of address-

ing machines and equipment.

 Graduates of company training course assigned to work in: large city territory, or provincial or district territory with headquarters in some city, or continuous traveling positions.

4. Average number of college men employed each year:

30, not exclusively college men.

5. Nature of work after finishing company training: Salesmanship.

Educational plan

6. Type of training course: Type 1.

7. Training courses given at: Home office in Chicago.

8. Total length of training course: Six weeks.

9. Salary during training: No salary, but expenses may be advanced upon request up to \$15 to \$20 per week.

10. Principal features of training course: First a thorough mastery of the Addressograph; second, a scientific course in salesmanship; and third, introduction into actual selling under the guidance of an expert salesman.

Admission requirements

11. Physical examination required: No.

12. Personal interview required with company representative: Yes.

Do company representatives visit colleges for interviews: No.

14. Previous education preferred: Business administration from recognized colleges.

NORTON COMPANY

The company operates its main factory at Worcester, with abrasive plants at Niagara Falls and at Chippewa, and mines at Bauxite, Arkansas. It has also a small plant at Wesseling, Germany. It employs college men in all of its plants except the one at Bauxite and also in sales positions in all parts of the country and in various parts of the European continent. The method of operating the Norton cylindrical grinding machine is so different that men must be specially trained for the work. The Norton Company education proposes to include all activities which make a man more capable of filling his place in the world. The scope, therefore, of the educational department is not limited to definite courses, but special courses are constantly being proposed for men who must be trained for some specific position in a very short time.

The Company

2. Nature of business: Manufacturing of artificial abrasive and grinding wheels and similar products.

3. Graduates of company training course assigned to work in: Any of the plants of the company except Bauxite.

 Average number of college men employed each year: 25-30.

 Nature of work after finishing company training: Salesmanship, research work, engineering and production.

Educational Plan

6. Type of training course: Type 2.

7. Training courses given at: Worcester, Mass.8. Total length of training course: 20 months.

9. Salary during training: Individual agreements.

10. Principal features of training course: The study part of the course is limited to Saturday morning and consists of lectures and quizzes on the shop or office work done during the week.

Admission Requirements

11. Physical examination required? Yes.

Personal interview required with company representative? Yes.

13. Do company representatives visit colleges for inter-

views? Yes, in the East.

14. Previous education preferred: Graduation from any technical course, but preference is given to those who have had considerable mechanical and electrical experience as well as shop work.

GRATON AND KNIGHT MANUFACTURING COMPANY

The Graton and Knight Company are oak leather tanners and makers of leather belts and specialties. New employees usually start in some clerical position. If a man shows a special aptitude for business and gives promise of ability, particularly selling ability, he is given a special training course in the shops covering from two to three months. During this course the men actually handle the leather and learn to perform all the operations in the various processes of leather manufacture. This course continues until they have sufficient practical knowledge to enable them to discuss the business and its processes intelligently and to represent the firm efficiently in outside positions.

The Company

Nature of business: Tanning and manufacturing of leather belting, special leather goods and shoe manufacturing supplies.

3. Graduates of company training course assigned to

work in; Usually at Worcester, Mass.

4. Average number of college men employed each year: Two or three.

 Nature of work after finishing company training: Usually some form of sales work,

Educational Plan

6. Type of training course: Type 3.

7. Training courses given at: Worcester.

8. Total length of training course: Two or three months.

9. Salary during training: Regular salary.

10. Principal features of training course: The selection of those men who show special ability and the intensive training of these select men for sales service.

Admission Requirements

11. Physical examination required? Not usually.

12. Personal interview required with company representative? Yes.

13. Do company representatives visit colleges for interviews? No.

14. Previous education preferred: Mechanical engineering, business administration and law are valuable but not essential. General college training for the development of the candidate's mind is considered most important.

THE WESTINGHOUSE ELECTRIC AND MANUFACTURING COMPANY

The Westinghouse Electric and Manufacturing Company is engaged in the production of electric appliances, machinery and apparatus. Sales departments are maintained in four of the larger cities throughout the country. College men are taken into the company for special training and are assigned to the various departments, where their work is closely supervised, both in shop and in class, to determine their ability and their adaptability to special kinds of work.

The Company

Nature of business: Manufacturing of electrical machinery.

3. Graduates of company training course assigned to work in: East Pittsburgh or at one of the sales agencies.

4. Average number of college men employed each year:

5. Nature of work after finishing company training: Sales, engineering design, and research, manufacturing, construction and operating companies.

Educational Plan

6. Type of training course: Types 1 and 2.

7. Training courses given at: East Pittsburgh, Pennsylvania.

8. Total length of training course: One year.

9. Salary during training: Initial: first six months, \$50 per month; second six months, \$60 per month.

 Principal features of training course: Classwork is largely catechisms, examinations and problems. Not lectures.

Admission Reanivements

11. Physical examination required? Yes.

12. Personal interview required with company representative? Yes.

13. Do company representatives visit colleges for interviews? Yes.

14 Previous education preferred: Mechanical or technical engineering graduation.

Ouestions

1. Which plan, if any, should be adopted?

2. Is it advisable to attempt to train men for the sales department and other departments in the same school?

PROBLEM 253

TRAINING SALESMEN

The following outline of a course for the training of salesmen was submitted by the committee on advertising and selling at the fourth annual convention of the National Association of Corporation Schools:

PHRPOSE:

To furnish the basis of a course of instruction on the art of salesmanship for members, whether manufacturers, wholesalers or retailers.

For 1. Travelers.

- (1) Specialty.
- (2) Staple.

For 2. Counter or floor men.

For 3. Selling agents of various kinds.

II. Organizing a School of Instruction:

- 1. Text-books and collateral reading.
- 2. Instructors.
 - (1) Actual experience.
 - (2) A trained mind.
 - (3) The teacher's attitude.
- 3. Methods of instruction.

III. Salesmanship: Its Place in the Field of Business:

- I. Relation to other phases of business.
- 2. Salesman's dignified work.
- 3. Opportunities in salesmanship.
- 4. Importance of selling knowledge to every man in business.
- 5. Selling as a stepping-stone to sales management and other executive positions.
- 6. What the salesman has an opportunity to learn.
- 7. The "Salesmen are born, not made" fallacy refuted.

IV. BIRD'S-EYE VIEW OF THE WHOLE FIELD OF MARKETING:

- 1. Three phases of selling.
- 2. Trade factors, trade channels and trade relations.
 - (1) Manufacturers' selling and advertising problems.
 - (2) Wholesalers' problems.
 - (3) Retailers' problems.
 - (4) The chain store.
- 3. The product, the market, and reaching the market.
- 4. Merchandising (buying).
- 4a. Price maintenance.
- 5. Relation of personal selling to this field.

V. Divisions of Selling:

Retail selling behind the counter.

Wholesale staple or specialty selling.

Where buyer seeks seller and vice versa.

Single versus repeated sales.

Staple selling.

Specialties selling.

Specialties sometimes gradually become staples.

The branded staple and its selling problems.

VI. Definition of a Sale.

VII. FACTORS IN A SALE.

VIII. The Selling Process:

Developments in a sale:

- 1. Attention.
- 2. Interest.
- 3. Desire.
- 4. Confidence.
- Close.

IX. The Selling Process (continued):

Preliminary to the interview:

- 1. Studying the prospect.
- 2. Gathering the information.
- 3. Getting in to see the buyer.
- 4. The actual approach.

X. The Selling Process (Continued):

The interview:

- Attention—its nature, methods of securing it, the opening talk.
- 2. Attention to a varied line.
- 3. Trunk lines and sample rooms.
- 4. Attention in retail selling.
- 5. Arranging the sample display.

XI. The Selling Process (continued):

Interest:

- 1. The demonstration.
- 2. Handling interruptions.

XII. The Selling Process (continued):

The interview:

- 1. Handling objections.
 - (1) Antagonism vs. a friendly gettogether.
 - (2) Unreasoned inhibitions.
 - (3) Discussing price.
 - (4) Discussing competitors' goods.
 - (5) Minimizing objections.
 - (6) Anticipating objections.

XIII. The Selling Process (continued):

The interview:

1. Desire.

Indications

XIV. The Selling Process (continued):

The interview:

1. Confidence.

A separate development.

XV. The Selling Process (continued):

The interview:

- 1. The close.
 - (1) The crux of all salesmanship.

(2) Expecting him to buy.

(3) Make decisions and don't ex-

pect them.

(4) Closing is not coercing, overselling, nor selling a man something he doesn't want; it is overcoming the habit of indecision.

(5) Courage.

(6) Positive suggestion.

(7) "Decision on a minor point" principle.

(8) "Writing out the order" close.

- (9) Closing the retail sale.
- (10) Mechanics of closing.

XVI. The Selling Process (continued):

1. Persistence of the right kind.

2. Avoidance of ill humor.

3. Reserve talk and how to use it.

4. The "bill starter."5. Getting the price.

6. Emphasizing service and quality.

7. "Think it over."

8. Calling back.

XVII. AFTER THE SALE:

1. Furnishing buyer helpful details.

2. Right impression at leaving.

3. Securing cooperation and indorsement.

XVIII. HUMAN APPEALS THAT SELL:

- Scientific method used, but selling not a coldly scientific process—a friendly, red-blooded, manto-man process, where personality and sincerity count.
- 2. Motives that may be appealed to.

3. Two avenues of appeal.

(1) Logie—to reason—intellect.

(2) Word pictures—to imagination—emotions.

XIX. Essential Qualifications of the Salesman—the Development of Personality, Character and Califer:

1. Thought, study and work; native ability; health, preparedness; ambition and application; observation; teet; concentration; courage; honesty; confidence; enthusiasm; loyalty; optimism; imagination; education; voice and appearance; personality; self-analysis and improvement.

XX. Salesman's Duties and Responsibilities:

1. Organizing a territory.

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2. Planning the personal selling campaign.

3. Securing and giving cooperation to customers and house.

4. Planning the day's work.

5. Salesman's time and its use.

XXI. PLANNING THE PRESENTATION:

1. Picking the selling points.

2. Planning the selling talk.

3. Planning the demonstration.

4. Planning the selling equipment.

XXII. RETAIL SELLING:

1. Why the manufacturer is interested.

2. The Wooltex course—same principles apply, only methods differ.

3. Instruction in the store methods, store system and store policy.

4. Vocabulary and address.

5. Knowledge of line 6. Showing the line.

7. Focusing attention on one article.

8. Closing the sale on that article.

XXIII. ATTRACTING THE BUYER'S ATTENTION TO GOODS OTHER THAN THOSE FOR WHICH SHE CAME:

1. Handling the "looker" so as to turn her into a buyer.

2. Building a clientele.

XXIV. Selling in Different Lines (as examples):

1. Selling machinery.

2. Selling advertising agency service.

3. Selling office filing equipment.

All specialties

Question

What assistance does this give to the sales manager of the Henderson Automobile Accessories Company, planning to sell direct to retailers through a much augmented sales force? The company realizes the need of training the new force quickly.

PROBLEM 254

TRAINING OF SALESMEN

(a) A manufacturer, or jobber, well known for the quality of his goods, seeks to place upon the market an article of merchandise which he has not previously manufactured (or handled, if a jobber) and, because of the high quality of the article, is obliged to ask a higher price than his competitors are asking.

Question

How should his salesmen be trained to present this new article of merchandise to the trade?

(b) A manufacturer, or jobber, newly organized and, therefore, unknown, except through the personnel of his executives and employees, or the manufacturer, or jobber, is entering new territory in which he is practically unknown.

Question

How should his salesmen be trained?

(c) A manufacturer, or jobber, who has not been celebrated for the high quality of goods which he manufactures, or handles, announces a quality line.

Question

How should his salesmen be trained?

PROBLEM 255

Divisional vs. Centralized Training Course for Salesmen

In sales organizations where it has been found necessary to decentralize management to a considerable extent, the problem arises as to whether salesmen should be trained in the divisional offices or districts or in the plant or sales headquarters. The Sherwin-Williams Company, which has over 500 sales representatives, divides the United States into nine sales districts each in charge of a district sales manager. Under each district manager there are four or five divisional managers in direct charge of salesmen. In a typical district the district sales manager is in charge of 80 salesmen and is given full responsibility in selection and training of his own men. personally plans and supervises the educational work for their training, decides what sort of training is necessary, whether much or little, theoretical or practical, whether administered by himself or by others.

The Ronald Company, manufacturing calculating machines, has adopted the other method. Recruits are taken to the central office at the factory, the sales school is conducted at intervals for the purpose of training these men who are selected and sent in by the sales agents in the various territories and returned to them after two weeks' schooling.

Questions

1. What are the advantages of each plan? The disadvantages?

- 2. To what extent should the sales manager be influenced in deciding between district and central training by the following factors:
 - (a) Size of sales districts.
 - (b) Size of the concern.
 - (c) Location of sales headquarters and factory.
 - (d) Type of product.
- 3. Should salesmen who have been in the field, as well as new men, be admitted to the training courses?

PROBLEM 256

TRAINING OF SALESMEN

Sixty-five per cent of the salesmen employed by a middle-western firm failed to make good. The general sales manager was at a loss to understand the reason for this high mortality rate.

The company employed only high-grade men, trained them carefully, and sent them forth with best wishes and high hopes. The men failed to stick, however. In a week, two weeks, or a month, they would fall by the wayside, and a new crew would have to be recruited, trained, and sent out to meet the same fate. Only about one man in three stuck to the job and became a really successful salesman for the line.

In the training of the men for selling a high-priced fixture for retail stores, men spent several days at the salesroom maintained by the manufacturer. There they learned many of the advantages of the product and were shown the record of master-salesmen, who had made fortunes from the sale of this one product.

Question

What reasons might be assigned for the disproportionate number of failures?

PROBLEM 257

TRAINING SALESMEN

The following is an outline of the new educational program of the Burroughs Adding Machine Company, as taken from the Burroughs Bulletin late in 1920:

The new program of sales instruction is a positive, definite, standardized course which affects all members of the Burroughs selling organization. It is being adopted as a permanent plan. It is expected to require approximately one year to complete. It is a "study-as-you-work" program and is not intended to work a hardship or place any unreasonable burden on salesmen who are working hard in the field every day.

The Material

Built in small units—very readable—all non-essentials eliminated.

Consists of three major courses.

FOR PROSPECTIVE SALESMEN—Men who have not yet been employed, but who look promising. Men who have indicated a desire to join the Burroughs selling organization and who would like to determine their fitness and prove their aptitude for our business. This study material is intended for the training of men before they join the organization.

For Junior Salesmen—New men who have just come into the selling organization or who have been juniors for a short time.

FOR SENIOR SALESMEN—Advanced material which the senior will take up after he has qualified on the elementary or junior material and established his fitness to take up the advanced subjects.

How Used

The material for prospective salesmen will be furnished them that they may study while in their present positions and thus save a good deal of their elementary training time.

Junior salesmen are expected to remain in the agency approximately three weeks or until they have thoroughly mastered the elementary junior course. They will be expected to have machine practice on both A and C machines, to memorize standard demonstrations, and to become thoroughly familiar with the fundamentals of this business.

This is a definite course, 90% self-instructing, but of course requiring some supervision of the agency manager or senior. All the text, practice forms, self-quizzes, and material needed will be furnished. Detailed instructions to the agency manager will also be furnished.

FOR THE ADVANCED JUNIOR AND SENIOR SALESMEN—After the junior has passed the elementary stage, both he and the senior will be expected to put in an average of two hours a day or ten to twelve hours a week studying. The instruction text will be furnished in small units and will be self-instructing. It will not keep the salesman out of the field or in any way interfere with his regular selling time.

When It Starts

It becomes effective January 1, 1921.

Whom It Affects

Every member of the field selling organization—including juniors, seniors, specialists, and agency managers.

What Exceptions or Exemptions

There are none. Every member of the field selling force will be required to take the course.

The Cost

The Company will contribute the time and expense of district instructions. That part of the educational material which constitutes a permanent selling library will be furnished at the expense of the agency. All of the instruction material will be loaned to salesmen. The agency manager and salesmen will pay their personal expenses while attending schools.

The Time Required to Study

An average of an hour and a half or two hours a day or of about ten to twelve hours a week, divided as may be most convenient. The plan is to "learn-as-you-work."

Time Required to Complete Entire Course

An average of ten to twelve hours a week spent in study should enable a salesman to complete the entire course in a year or less.

How Material Will Be Distributed

It will be sent to you automatically by mail. As soon as one unit is completed, another will be mailed to you without request or correspondence on your part.

Who Will Do the Questioning and Grading

As soon as the salesman gets started on his study he will be assigned a sixty-day quota of study by the district instructor. Thereafter he will be examined about every sixty days by the district instructor, who will question and personally grade every man. There will be no charge for his services. Every man will know just what is expected of him for the next sixty days.

If you should not qualify or pass the required percentage in your examination, you will be assisted by the instructor to master it thoroughly and you will be given additional time to study it. A penalty will be imposed for failure to make a passing grade and you will be examined again on the instructor's next call.

The Advantage of Good Grades

To the salesman comes the greatest advantage of knowing his subjects thoroughly. Good grades will be taken into consideration when territories are being allotted and promotions made.

Publicity of Grades

Due publicity will be given to grades in the Burroughs Bulletin.

The Starting Point for Juniors

All junior salesmen will be required to start at the very beginning and qualify on every part of the junior course.

The Starting Point for Seniors

Every senior will be required to answer the questionnaires on the Training Course and "Selling the Burroughs" and prove that he knows thoroughly the text contained in the junior course. If he is already familiar with it, it will require no study on his part, but he will be expected to establish his eligibility to take the advanced material.

The Starting Point for Agency Managers
They will start at the same point that the senior does.

Study Instructions

Study instructions will be furnished with each unit of text—everything will be carefully explained.

Style of Instruction Text

Will be in small units—standard ring binder size—punched—simplified to the last degree—to contain real "selling" material—illustrated wherever practicable.

Reference Library

When the course has been finished, the salesman will have at his disposal a very complete Burroughs selling reference library containing a textbook on practically all major subjects relating to the application of Burroughs machines. He will possess a business training and education that he could not secure in a similar short training period in any business college, school or university. He will possess real selling information which will increase his earnings several fold.

Uniformity of Grades

The district instructors will do all the examining and marking of the grades on each questionnaire. In order, however, to secure uniformity in grades, irrespective of what district a salesman may be in or by whom examined, papers will be sent to the Home Office where supervision of the grades will be made. This plan will insure uniformity in all grades.

Advance Notice of Examinations

The district instructors will give agencies ample notice of their visits to permit them to get their salesmen together by the time he arrives.

Forms and Blanks to be Supplied

Whenever forms are to be filled in on blanks used in connection with the work, they are furnished. No equipment will be needed other than that supplied.

Relative Progress of Salesmen

Salesmen who are ambitious, who study and apply themselves, and who complete their tests ahead of the regular schedule, will be supplied with additional material as soon as they are ready for it.

Screrity of Tests

Examinations are to find out whether salesmen are studying and applying the text to their work. They will be fair, comprehensive questions. There will be no "catch" questions, nor will there be any questions with more than one correct answer. Many of the questions are presented in the form of the actual condition which the salesman will meet in the field, and are intended to apply the text to the actual problems which the salesman will meet in everyday selling.

Object of the Study Course

To make efficient Burroughs men. To make them better salesmen; to lessen sales resistance; to qualify them to sell machines better fitted to their customers' requirements; and through more sales, to increase their earning power.

It is not intended to make efficiency engineers, certified public accountants or systems experts out of our men. The material supplied is all practical selling text. Non-essentials and irrelevant reading have been climinated.

Summary of Educational Program

Consists of—

Study courses for prospective, junior and senior Burroughs salesmen.

Is a positive course of study, definitely planned, with detailed study instructions with each unit.

There are no exceptions and no exemptions; every member of the selling organization is required to take it.

"Study-as-you-work" plan. Requires about two hours a day or twelve hours a week. Entire course requires about one year to complete.

Text built in small units, loaned to salesmen without charge. Company stands expense of instructors' time and holding of schools.

Each salesman given sixty-day study quota at end of which period he is personally examined and graded by district instructor.

Failure to pass required percentage on examination requires additional study. Persistent failure to qualify denotes salesman's unfitness for business.

Uniformity of all examination gradings provided for by Home Office supervision.

Good grades basis of promotion and advancement.

Publicity of grades through Burroughs Bulletin.

Seniors and agency managers not permitted to study advanced material until they prove fitness by passing junior examinations.

Completed course will comprise reference library of textbooks covering all major applications of Burroughs machines.

THE PROGRAM

For Prospective Salesmen

This is material intended for the man who contemplates joining our selling organization and who is willing to put in time studying to fit himself as well as possible beforehand.

A Selected Unit from "Selling the Burroughs"

This covers Company history, policies, standards, ethics, future, etc., and gives the new man an idea of the kind of Company he is to be associated with.

Inspirational Selling Material

This will consist of inspirational booklets and folders which are intended to enthuse the prospective salesman over a selling position and make him anxious to take up the work and get started.

Machine Practice on 314 (Using Business Practice Hand Book)

He is here expected to learn the standard 314 demonstration and learn to use the standard demonstrating sheets and to be familiar with the work outlined in the Business Practice Hand Book. It is suggested that the agency manager loan him a 314 or similar standard model for him to practice on nights and odd times until he becomes sufficiently familiar with it to be able to give him the standard 314 demonstration verbatim.

JUNIOR TRAINING COURSE

Elementary—Three Weeks in Agency

The new junior just started is expected to remain in the agency office studying and learning the application of the machine for at least three weeks before starting in the field. This course is arranged so that he can alternate his study between listing machines in the morning and calculating machines in the afternoon, but he will be required to thoroughly master this material and pass a satisfactory grade on an examination before permitted to go into the field at all.

If, as a prospective salesman, he has covered the material outlined in the foregoing courses, he will, of course,

save considerable time as the material covered in the prospective courses is the same as that recommended for the first week, and also includes the 300 Class verbatim demonstration. A junior should not be put out in the field soliciting trials or calling on prospects until he has thoroughly mastered all of this elementary course.

SELLING THE BURROUGHS - (First Section)

Training Course for New Salesmen

Learn to apply the 314 to all the uses outlined in the training course.

Calculator Instruction

Elementary instruction covering half-day each for ten days.

300 Class Standard Demonstration

Must be learned verbatim and junior must be able to give it satisfactorily before agency manager.

Elementary Bookkeeping Course

A five-day course which gives a man a fair picture of the theory of bookkeeping and explains in a simple way the common terms and applications of a Burroughs for bookkeeping figure work.

A Portfolio

Basic material for the construction and building of a portfolio will be furnished and the text on the construction and use of the portfolio will be furnished for the guidance of the new man. He will be required to start building a creditable portfolio and to be able to use it to advantage.

Examinations

Examinations will be given on each of the foregoing units and they wi'l be prepared and furnished by the Home Office. The agency manager will be expected to do the grading on this material and will be held strictly accountable for the performance of the junior and the results of the grades.

Junior at this point is now ready to start out in the field working with a senior salesman who is expected to coach him and help him for some time before putting him on his own resources.

JUNIOR COURSE ADVANCED

This material is to be studied by the junior at night and during his odd time as he will now be working in the field with a senior salesman. He will be expected to average two hours a day on this material for at least two months and will be required to pass an examination on each of these units as fast as they have been covered.

If the junior studies on Saturday afternoons and Sundays, during lunch hour, early in the morning, or just after finishing at night, it wil require very little night work and will be very easy for him to average two hours a day for the week. However, he would be expected to spend all the time necessary to master this material and with the assistance which will be given him he should be able to cover this course in two months or sooner.

Selling the Burroughs—(Last Three Units)

A very rigid examination will be given on this. The student will be given approximately thirty days in which to thoroughly master this text, but will be required to know it.

Port folio

Building up this portfolio to a point of efficiency and learning to use it to secure the best results from it will require his attention for about a week.

Calculator Instruction

An advanced course of study requiring about fifteen hours of study and p actice with the machine at which he will devote his odd time for a week.

Statement Machine Practice

The standard statement demonstration on the 334B. Student will not be required to learn this word for word, but he will be expected to be able to give a good demonstration of it, and it is recommended that he run the statements in some PB's office in order to demonstrate the machine and become familiar with its use himself. About a week for this

Duplex Instruction

Illustrating the uses and applications of the 9-column Duplex machine both with and without the shuttle. He will be required to familiarize himself thoroughly with the demonstration of this machine and exploit its many advantages. Text and instructions will be available as well as portfolio material and he should master this in about fifteen hours or one week's study

Examinations

Examinations will be given on each of these units by the district instructor who will examine each man personally and grade him. The material will be sent him direct from the Home Office or district office as provided for by the district instructor. After the junior has qualified on the text up to this point, he is then eligible to attend a district school which will be available from time to time during the year, and which will be in the nature of a finishing school.

He will be expected to attend the first school that is held in his immediate neighborhood. If there should not happen to be a school being held about this time, he will continue his studies continuing on into the elementary senior material, but will be required to attend the first advanced junior school held in his immediate neighborhood by the district instructor.

District School

This will consist of two weeks' training covering the following major subjects.

Completion of Bookkeeping

Student will be required to post and take off balance sheets for thirty days' work and thoroughly understand the principles of bookkeeping.

Approach, Demonstration, Closing-All A Machines

This includes 100, 200, 300, 400 and 500 Class machines.

Comparison of All A and C machines bringing out relative advantages.

Advertising Use.

A Class Retail System.

Completion of Calculator Instructions.

Up to this point the student will have approximated about three months.

ELEMENTARY SENIOR COURSE

The senior is supposed to be thoroughly posted on all of the material included in the foregoing junior courses. After he has answered the questionnaire on this material and has demonstrated his fitness to take up the senior work, at this point he will begin the first subject of the Elementary Senior Course. The junior will continue his studies, taking up these subjects in their regular order, and qualify himself for the position of senior when an opening occurs.

Installation Instructions

Instructions on the proper way to make an installation to secure the best results. A short text, but a very important one.

Standard 600 Class Demonstration

To be learned verbatim. This will cover the standard model from a commercial standpoint, and elaboration on this text will give the man a vast amount of selling material. It will handle the situation from the standpoint of the present Burroughs user, the foreign machine user, and the foreign machine prospective purchaser.

Instruction on the Complete Application of the Standard B Models—646A, 656E, 676E, 246H, 676G, 276A.

This will show possibilities of the standard line and the many applications which are possible under varying conditions

Bank Applications

The most general bank applications of our standard line.

Triplicate Sales Tickets

A short text on the use of triplicate sales tickets including the filing. This material will tie up with the portfolio material

Examinations

Examinations will be given on each of the foregoing units and the salesman will be expected to be reasonably well posted on each of these subjects up to this point. It is expected that the elementary senior course will require approximately six weeks, which we believe gives plenty of time for the leisurely and convenient study of these units.

Salesman is now eligible to attend B Class school to be held by the district. He will be expected to attend the first B Class school held in his immediate neighborhood which will be in the nature of an elementary senior B Class school.

B Selling School for Seniors

To require approximately two weeks and to be held by district for small groups of agencies covering B Class retail systems. This subject will be covered in detail and the men will be schooled on the approach, presentation and actual close, as well as the installation of the complete system.

Merchandising

The value of figures and their relation to subjects such as average mark-up, figuring turnovers, figuring selling price, making profit and loss statements, etc., will be covered in this course and salesman will be given real selling information.

Customers' Statements

There are approximately eight ways to make customers' statements in connection with our B Class machines and these will be covered in detail, explaining the advantages and disadvantages of each method.

Analysis

Analysis of the conditions existing in the PB's office and conditions which must be met when recommending equipment, making written propositions, or estimating the saving to be made and results effected.

B Portfolio

The construction and use of the B Class portfolio.

Approach, Presentation, Sales Talk and Close—B Machines.

Written Proposition.

How to make up, when to use, and how to secure best results from the written proposition.

Comparison of Various Bookkeeping Machines
Describing the advantages and disadvantages of each style.

ADVANCED SENIOR B INSTRUCTIONS

These units will be mailed direct to the salesman when he completes the previous text, and he will continue putting in his spare time and efforts on this material. This is material which every senior Burroughs salesman should know and material which a great many men do know. Where the salesman is familiar with the subject matter, it will require practically no study on his part. Plenty of time will be given for the complete mastery of each unit and the salesman will be graded personally by the district instructor at intervals of approximately every sixty days.

Demonstration, Application and Sales Possibilities of Each Standard B Model

This should be easily covered in thirty days.

Rontine, Office Methods and Installations

Meaning outline of the routine which common transact one follow in certain lines of business and the office methods of handling the records generally in vogue, and how they affect installations and how they should be provided for.

Commercial Stock Records

As distinguished from manufacturing stock records.

Department Stores—(Both large and small)

Installment Houses.

Commercial Distributions.

Covers distribution of sales, purchases, expenses, etc.

City, County and State.

Detailed Analysis Local Installations.

Detailed analysis of his best local installation to be made by salesman, and he is to furnish samples of posting media, ledger forms, statements, proof forms and a routine chart showing just how the posting operation is routed, together with the complete data on the number of postings, time required, etc. This material will be re-distributed to the field in reproduced form and will make very valuable selling material for other members of the force.

Building and Loan Associations.

Savings Banks.

Bank Accounting—(Both large and small).

Unusual Applications and Uses.

Showing unusual conditions where elever applications of standard models have resulted in sales and will probably secure more business for other salesmen.

Manufacturing Stock Records.

Manufacturing Distributions.

Payrolls.

Public Utilities.

Allowing ample time for the salesman to cover each subject without placing very much of a burden on him or requiring too much night work, will require approximately one year to reach this point. It is understood, of course, that many salesmen will require much longer than this, whereas others who learn rapidly and who are good students will reach this mark much sooner. The time element is not a serious one as long as the salesman indicates his willingness to spend a reasonable amount of effort to better himself.

It is very hard to estimate the length of time different men of different natures will require to finish a given text. It can only be approximated. We believe, however, that this establishes more of an ideal than an average and we have no intention of placing an unreasonable burden on our salesmen.

It is to his interest to master these various subjects as soon as he can, and we feel that he would be glad to avail himself of every opportunity to do so. We do not believe that any more encouragement will be necessary than the fact that it is to his greatest interest. Therefore, the time approximated should not be considered as a serious requirement as long as conscientious efforts are being put forth.

Questions

- 1. What are the advantages and disadvantages of the plan of providing study courses for senior salesmen as well as for juniors and new recruits?
- 2. Is the course so planned as to train the sales force along the lines which will lead to increased business and good will for the Burroughs Company?

Problem 258

Salary-Plus-Commission Compensation for Salesmen

The sales manager of a large paint manufacturing concern, having sales offices in nine cities of the United States, writes as follows concerning his method of paying salesmen:

Our plan of paying salesmen is the salary and commission over a quota plan; and while we have found it to be better than our former plan of straight salary payment, the method now in use still leaves much to be desired. The principle on which we work is to pay each salesman a fair wage and allow all reasonable expenses while traveling on the road. In addition to this, in order to stimulate his effort and enable him to share in the results of his industry, at the beginning of our fiscal year we determine what amount of sales in each territory it is fair for us to expect as a minimum point. This is then called the quota, and on all sales over this amount a commission is paid to the salesmen.

It will at once be manifest to you that the success or failure of this plan rests largely upon the proper determination of quota points, and you will also realize that this determination should be influenced by a number of important factors. The time the salesman has been with the company, the amount of business on the territory when the salesman took it, the productiveness of the territory and the possibility of future development, the expense of getting business on the territory, and the salary that the salesman draws are some of the more important factors that must be taken into consideration when the quota point is placed. In order to insure that these quotas are fixed as fairly as possible, the figure is determined only after consultation with the District Sales Manager, the General Sales Manager, his assistant, and the executive managers of the company.

In a period of normal times any system of this character is bound to operate more satisfactorily than it will during abnormal times such as we have been experiencing recently. In order to derive satisfactory results from this system, or from any other under such abnormal conditions, it is our opinion that the plan should be sufficiently flexible to permit of the exercise of good judgment on the part of the management to allow for the varying conditions, rather than to have a fixed policy from which there can be no variation.

For example, our original plan was that, so long as a salesman remained on his old territory, his salary would be unchanged, and his quota point would be raised from year to year until the time was reached when the salary plus his commission plus his traveling expense would, when figured against the business of that territory, show a selling expense for that territory no greater than the average selling expense for our business. On territories where this condition already prevailed, the salary and the quota point were not to be changed.

While it may be that this plan could be worked out under normal times, the great change in economic conditions resulting from the war and the subsequent period of inflation made it impossible for us to carry out this original plan, because we were forced to raise salaries in order to retain our salesmen and also our expenses increased greatly along with the expenses of every one. Furthermore, a fixed plan and policy that could not be changed made it almost impossible for us to change territory lines in order to develop the business more rapidly, because a salesman would object to having his territory reduced or changed in any way.

We, therefore, reached the conclusion that it is a very difficult matter to work out a plan of this kind that will

extend over a number of years in the future, because the results are wonderfully influenced by conditions, and it is very difficult to prophesy what those conditions will be. We believe, rather, that the matter should be left largely in the hands of those responsible for the management of the business and its various departments, and we think better results will be obtained in this way, provided, of course, it is the disposition of those in authority to deal fairly with those in the organization.

In addition to the above plan, we have also found it advantageous to us to pay a cash bonus to each salesman that opens up a new dealer agent account for us, provided the new dealer agent meets the requirements both as to size and character of order that we think should be met before an account can be accepted as a dealer agent.

Question

Do you agree with the conclusions expressed in this letter?

Problem 259 Reducing Rate of Commission

Many concerns, during the depression beginning in 1920, were confronted by the problems of salesmen's compensation. The manager of the Balfour Shoe Company is undecided as to whether it would be wise to reduce the rate of commissions along with the wages paid employees of the factory. There has been a 20% reduction in factory wages and a 10% reduction in salaries of office force, but up to date no change has been made in the commission paid salesmen. Commissions, prior to the war, amounted to 6% which for good salesmen gave a yearly income of from \$4,000 to \$10,000, depending upon volume of sales. During the war, with the increased sales and particularly the

increased price, it was by no means uncommon for a salesman to accumulate commissions ranging from \$10.000 to \$20,000 per year. For the first season since the slump, figures show that salesmen are still getting a higher compensation than before the war. The Balfour Company has been forced to take severe losses on account of inventory and it is necessary to effect economies. It is argued that salesmen, more than other employees, should share in the profits of a business and they have done so through the higher commissions in the war period. It is also claimed that they should share in the losses and that they should not be disgruntled if, when the business is not prosperous, commissions and salaries are cut. On the other hand, the argument is brought up that the prosperity of a business depends upon a successful selling season, the chances of which will be greatly decreased if the rate of commissions and salaries is cut. It is argued that, instead of cutting salaries. salesmen should be urged to work harder, increase their working hours and endeavor to get as large an amount of orders as in previous normal years.

Question

What should be done?

Problem 260 Compensation of Salesmen

Randolph Perry and Brother, manufacturers of women's trade-marked garments, pay their salesmen a commission of $7\frac{1}{2}\%$, salesmen paying their own expenses. Salesmen in the home territory of Ohio receive the same commission as those located in the far western territory. The sales manager feels that

this is not a just basis, because the expenses of the salesmen in the far western territory are considerably greater than those in local territory.

Question

Can a workable plan be devised which will equalize income, without losing the chief advantage of a commission plan or departing from the practice of leaving control of expense in hands of salesmen?

Problem 261 Salesmen's Commissions in the Wholesale

Grocery Business*

The John Sagamore Company conducts a wholesale grocery business in Pittsburgh, Pennsylvania, covering the trade within a radius of about 150 miles of that city. The salesmen of the firm, prior to June 1921. had been paid on the salary basis, but at that time the management decided to adopt a commission basis of payment on net profits. Discussion arose among the executives of the company as to just what should be deducted from gross profits in order to arrive at a figure on which to base commissions to salesmen. Since the management was desirous of setting down at the start a clearly defined policy as to the basis for commissions, the various executives sought information through the Harvard Bureau of Business Research as to standards of practice. The Bureau conducted an inquiry and was able to collect the following information concerning methods used by six typical wholesale grocers in different parts of the country operating on a so-called "commission on net profits"

^{*}Harvard Bureau of Business Research, Bulletins No. 8, 9, 14 and 24.

system of payment. The questions asked and the answers obtained are given.

- (1) What percentage over and above incoming freight and cartage is added to the cost of goods for handling through the warehouse to the shipping door? In reply to this question, three firms stated that they made no addition over and above incoming freight and cartage for the expense of handling goods through the warehouse to the shipping door. One of them, however, expressed the intention of charging 1% on sales to cover this item. One firm added approximately 2%, and another 5% over and above incoming freight. The sixth firm described its practice as follows: "On a flat market we add nothing over and above the incoming freight and cartage to the cost of goods which we give our salesmen. When a market permits we reserve the privilege of advancing our cost, and on the other hand, when a market declines we lower our cost irrespective of actual cost.
- (2) Is the freight on outgoing goods deducted 100% from net profits? If not, how much? One firm stated that it did not pay freight, while five deducted the entire freight on the outgoing goods from the gross profits.
- (3) Is cartage on outgoing goods deducted 100% from net profits? If not, how much? Three firms made no deduction for cartage on outgoing merchandise; three deducted the entire cost of outgoing cartage from gross profits.
- (4) If a salesman has a loss due to a bad account, is this loss taken out of his net profits? Four firms made no deductions for bad debts before determining the profits on which the salesman's commission was to be paid. In one other case, the losses from bad debts were

not charged against the salesmen, but commissions were not credited on accounts that were not collected, or if they had been credited they were charged back. In the sixth case, the salesman was not paid his commission on sales for which payment was not collected.

- (5) How much is deducted from net profits for carrying overdue accounts? This was the only question for which the answers all agreed. In no case was the deduction made by these firms for carrying overdue accounts.
- What other deductions are made from gross or net profits and how are they deducted? Two firms made no other deductions: two firms deducted the freight and gross profit on returned goods in determining the profit on which commissions were to be paid; one of these firms also made a deduction for allowances made from the firm's invoice price by salesmen, and any other allowance made by salesmen. In the case of the fifth firm, allowances and excess discounts were deducted from the profits at the time the allowance was made, either by payment to the salesman or direct to the firm. The sixth firm deducted the allowances, and in addition charged 50% on cigar samples and 50% on the cost of bonds of salesmen.

Question

What would be the most advisable method for the John Sagamore Company to use in determining a figure on which to base commissions to salesmen?

PROBLEM 969.

Salary, Commission, and Bonus Payment for Salesmen

A concern manufacturing a line of drug specialties navs its salesmen on a salary and bonus basis, substantially as follows: Each salesman receives a salary weekly, which is about sufficient for his living expenses. In addition to this, he receives a commission on sales for certain products which are charged quarterly. The commissions vary from $2\frac{c}{0}$ to $10\frac{c}{0}$ and the articles on which commissions are paid are distributed among the various departments. Commissions are drawn up by the eighteen sales departments of the concern and are figured departmentally. At the end of each quarter, the salesman is paid one-half of the commission due him from each department, the other half being retained until the end of the year. if he shows an increase in gross sales in a department over the previous year, he receives the other 50% of the commission which has been accumulating during the year.

If his sales do not show an increase, he does not receive the other 50%. Besides the commission, a bonus of 1% is paid by each department on the increased sales in that department over the preceding year.

Questions

1. Under what conditions can this plan be made to operate smoothly? Under what conditions might it become inequitable?

2. In the figuring of this bonus and in its payment, certain problems arise.

(a) If a salesman is asked to change territory, it is very likely that the sales of some of his departments will be less than the sales in his former territory, so that in comparison he loses thereby.

(b) Likewise, the articles comprising a particular department have at times been changed from one department to another. In one case of this kind, no salesman showed an increase in sales at the end of a year in a certain department which had been trimmed down.

What adjustments should be made to meet these cases?

3. Salesmen are not given credit for mail-orders from their customers, the management operating on the theory that mail-order business should be cut down to a minimum and preferring that the salesman spend more time with his customers and look more fully after their interests.

It is thought that to allow the salesman credit for mail-orders would make him careless in his visits to customers.

Do you agree?

Problem 263 Bonus Plan for Salesmen

Since the control of salesmen involves to a very large extent distance and imperfect personal contact of salesmen with superiors, it seems to the majority of sales managers that some form of incentive to take the place of constant personal supervision or "foremanship" is needed. Generally speaking, the incentive that sales managers offer salesmen is in the form of

money. This is offered as a straight salary or salary and money earned through some extraordinary effort or good salesmanship. The salary or drawing account. whichever it may be, is constant and is paid at regular intervals. The commission or bonus, or whatever the extra remuneration may be called, usually covers a period of six or twelve months. It has been asserted that sales managers make a mistake in dividing bonuses at the end of such long periods. It is stated that, if the quota is set for a year's work, the salesman will tend to postpone his activity until toward the end of the year in the hope that something will turn up to save the extra effort. If a salesman happens to be inclined to laziness, he will get under way slowly the early part of the year and the employer will suffer in consequence. To remedy this situation it is further asserted that the only way to do is to set short periods and tie them up to an annual commission and a further commission if all of the quotas for the shorter period are also met or obtained.

Assume that a salesman named Jones sells a mixed line of goods. He is paid \$200 a month or \$2,400 a year and is told that he will be given a commission of 2.4% on all sales above \$96,000. If he is too self-confident or lazy, he may easily not do his best during the first quarter or during the second, yet make a fair commission on what he sells above his quota at the end of the year. However, this fails to give to the concern an even flow of business throughout each month of the year. It is suggested that, instead of giving a quota for the year, we tell him hereafter his quota will be \$8,000 per month and that he will be given 1% on what he sells above that each month; that, if he is able to sell more than \$96,000 during the year, at the end of the year he will be given an extra 1\% on all above. In addition to the monthly and annual commissions, he will be given an extra commission of 1\% on all he sells over \$96,000 if he has exceeded his quota during each of the 12 months.

Question

Is this plan generally applicable?

PROBLEM 264

Bonus Plan for Salesmen

The Augusta Company manufactures an extensive line of women's shoes, which it sells under widely advertised brands on the exclusive agency plan. Salesmen are trained in the plant itself. Up to January 1, 1921, they were paid on a commission basis. It was then proposed that a salary-and-competitive-bonus basis be adopted, actual expenses being paid by the house.

From 60° to 80° of the income of the different salesmen would be derived from salaries. At the beginning of the year, the management should specify items which were to enter into the determination of the bonus and the weight each will receive; for example, increase in number of pairs sold, increase in gross value of sales, net profit returned to the company, are some of the considerations which usually count toward the bonus.

Following are the conditions governing the bonus plan as first proposed:

Conditions Governing the Distribution of Bonuses 1921-1922

Class Vo 1

SIXTY POINTS to the credit of those who show the largest TOTAL PROFIT IN DOLLARS AND CENTS, less actual *road* traveling expenses, which will be deducted.

EXPLANATION:—The samples are classified by grades and as the better grade shoes are the most profitable, they are the shoes that it is most to your advantage to sell, in order to make the greatest showing in this class of the Contest.

The actual profit will be figured on the total Road Sales for the entire year; the total road traveling expenses will then be deducted and the balance left will represent the total profit realized from each territory through road sales.

The most important consideration in this class is to sell at all times shoes which show the best button, in preference to shoes showing a poorer button; however, it is necessary to sell the lower-grade shoes after the dealer has purchased all of the better grades it is possible to sell him, because the greater the total sale you can make necessarily means just that much greater showing in total profit at the end of the year.

Class No 2

THIRTY POINTS to the credit of those who LAND THE GREATEST PER CENT OF NEW ACCOUNTS

Explanation:—This class of the Contest will be figured in the same manner as in previous Contests in which this class entered. All the towns on each salesman's territory will be classified in accordance with their relative importance, the larger towns being considered as of more value than the smaller towns.

New accounts landed will be figured as a percent of the total Jonah towns on the salesman's list. Any town in which there is an account at present and in which during the period of this Contest the account is discontinued, will be considered lost and will be deducted from new accounts landed.

A new account will be considered to have been established only if the account is in all respects satisfactory and the purchase is sufficient to justify the establishment of the agency.

Class Vo 3

TEN POINTS to the credit of those who are of most service to the house and who sell shoes as we want them sold, which includes the following divisions:

Selling the greatest possible number of pairs.

Sending in Sample Suggestions of any kind at any time during the year, which are of assistance in building our sample lines, or otherwise assisting.

Sending in General Suggestions of any kind which are in any way of assistance to the business as a whole.

Selling goods as we want them sold and intelligently following instructions received, confining sales to 12 pair or more to the width, excepting AA and A.

Selling Factory No. 2 goods as sampled, and thus eliminating unnecessary changes.

Question

Should the plan be adopted?

PROBLEM 265

Profit Sharing for Salesmen*

An Arkansas wholesale grocer claims that most profit-sharing plans, as applied to salesmen, are unfair for the following reasons:

(1) The interest of the salesman is only in his own efforts.

*Bulletin of National Wholesale Grocers' Association, March, 1921.

- (2) He has no share in the risk assumed by the concern.
- (3) He is not induced to sell any goods, except such as appeal to him.
- (4) In the sale of futures, the goods are bought to cover; and, when cancelations come, goods are thrown back on the house without risk to salesman.
- (5) When goods are shipped out and brought back to the house, they have lost character with the salesman and the house loses money on the goods.
- (6) On sales made from factory and not accepted by buyer and thrown back on the grocer, the salesman is only charged back with the profit he is alleged to have made, while the house is loaded with the goods at a loss.
- (7) Interest rates have doubled since these profitsharing plans were made and the jobber must pay twice for his borrowed capital, which increased expense the salesman does not share.
- (8) Trucking to and from the station and to city deliveries has doubled, and this burden is borne by the house.
- (9) Under all present profit-sharing plans known to the writer, the salesman gets his share of the gross profits before the Government taxes are paid by the house; so he does not share in the Government taxes, except in his personal income.
- (10) Under the proposed plan of a tax on sales, he will not participate in this tax, but it will be shouldered by the house unless the tax is permitted to be added to the invoice.
- (11) It is fair that other branches of service shall be rewarded by some profit-sharing plan; and when the salesman is interested only in his own profits and not in the profits and losses of the house, this plan hurts the house and hence the fixed-salary people.
- (12) Traveling expenses of every description have been greatly increased.

(13) Salesmen may recommend the purchase of certain lines and lose interest in them to the loss of the house.

The remedy proposed is that of paying fixed salaries to all employees except salesmen and arrange a division of the profits, after allowing 8% on invested capital; i. e., pay salesman a salary and a bonus based upon the results of the house's business and his share in that business based on his sales, profits and losses, allowing the house 8% interest on invested capital.

A typical computation follows:

Suppose the house has invested		
capital of\$	750,000.00	
	00.000,000,	
Suppose it has net earnings	125,000.00	
Suppose its losses on bad debts are	15,000.00	
Add the losses to earnings and we		
have	140,000.00	
Charge to profit account 8% on in-		
vested capital	60,000.00	
Leaves net earnings	80,000.00	
This makes net earnings on turn-		
over of	1.6-10%	
Suppose Jones has fixed salary	200.00	(per mo.)
Suppose Jones sells	200,000.00	,
Earnings on Jones' sales at 1.6% .	3,200.00	
Jones' share of bad debts $3-10^{\circ}_{0}$	600.00	
Net earnings of Jones		\$2,600.00

If Jones has no losses, he should be charged with none, but his profit account should be charged with his own losses and not a prorated or estimated loss. Now divide this \$2,600 between the house and Jones, and you have made Jones a partner with the house on a fifty-fifty basis. If Jones' average profits are in excess of the general, you may divide the excess to encourage Jones to work for a profit.

If Jones' average profits are less than general average, then you would penalize him for the deficiency. Jones will then have the same interest in the welfare of the house as a partner or stockholder, whereas now he is

on sales.

a preferred shareholder in the house's gains, with no share in its various kinds of losses or increased expenses.

This will save the house thousands of dollars' loss on goods permitted to spoil, on returned goods, on canceled orders for future or otherwise, on prevention of loss in anticipated decline in the market, because Jones and the house are partners and the house's interest is Jones' interest in every sense.

Questions

- 1. Do the objections apply to profit-sharing plans generally?
- 2. Does the proposed plan meet the objections presented against other profit-sharing plans?

Problem 266 Stimulation of Salesmen

advertised, employs approximately 5,000 persons. The introduction of a profit-sharing plan is contemplated, whereby a dividend is to be paid to the workers on the basis of payroll at the same rate paid to the stockholders on the common stock. Every worker, from the president down to the office boy, receives the same percentage on his year's wages as the stockholder receives upon his holdings of common

A manufacturer of metal beds, which are nationally

Question

stock. Salesmen are to be treated the same as any other employees. They are now paid by commissions

Would this be effective as a means of stimulating salesmen to put forth their best selling effort?

PROBLEM 267

COMPENSATION OF SALESMEN

A wholesale dry-goods concern, with offices and houses in Boston and New York, specializes in underwear and hosiery, handling neither ready-to-wear nor piece goods. In the sales force are five main types:

- (1) General salesmen who handle the complete line of the company. Each has a small territory and usually covers it by automobile. Territories are so small that in many cases the salesman works out daily from his headquarters. Routes are stipulated, but the salesman can use more or less discretion in the conduct of his work.
- (2) Department and specialty stores in the larger towns are covered not by the general salesmen, but by "department and specialty store salesmen." There are three types: (a) those who handle hosiery and underwear only; (b) those handling men's wear; (c) those handling all other items.
- (3) Young men sent out from the Boston office with some specialty which the management desires to push. These "department assistant salesmen," as they are called, may specialize at one time on handkerchiefs, at another time on some specialty in men's wear. The salaries and expenses of these assistants are paid by the company, while the general salesman gets a commission for the sales that they make. The purpose of the plan is to advertise and stimulate both the merchant and the general salesman in pushing a particular product.
- (4) "General assistant salesmen," employed by the general salesmen, are responsible to them and are paid by them from the commissions which the general salesmen make. These assistants report to the general salesmen, but the office retains some control by requiring a weekly report of their activities.
- (5) A group of house salesmen, who handle the buyers as they come into the Boston and New York stores.

(a) Several problems arise in connection with this arrangement. It is generally true that the small stores in a city will be covered by a general man, while the department and specialty store salesmen will solicit the larger department and specialty stores. When a store develops so that from the standpoint of effective selling it would be better to have the department and specialty store salesmen visit it, there develops a conflict of interests between the general salesmen and the other types. The general salesmen will most strenuously object to giving up accounts which might mean several hundred dollars apiece to them.

Question

How should the sales manager handle the matter?

(b) In connection with the commission system of payment which the company uses, several problems have arisen:

In the present depression, when there is not only a fall in the volume of sales but also in prices, salesmen's earnings have fallen to such an extent that they are apt to be disgruntled. This company has not changed the method of payment or the rate of commission, but has told the salesmen that for the past few years they have been simply ordertakers and it is now necessary for them to go out and show sales ability.

Question

Is this sufficient to secure desired cooperation of salesmen?

(c) Since salesmen pay their own expenses, there is a tendency in some cases to economize more than if the company itself paid expenses. In certain cases, the company feels that the men may go too far in their efforts toward economy. Likewise, hotel and traveling expenses are greatly advanced over the period prior to the war, and the traveling salesmen are dissatisfied, feeling that the company should either increase commissions or assume part of the expense burden.

Question

What action should the company take?

PROBLEM 268

Compensation for Several Classes of Salesmen in the Same Concern

The wholesale dry goods concern mentioned in Problem 267 has adopted the following method of paying its five types of salesmen. First, general salesmen are paid on a commission basis, while their assistants are paid out of the general salesmen's commissions; the department and specialty-store salesmen are paid on a commission basis, but given a particular class of customers; department assistant salesmen are paid salary and expenses by the house, while the general man gets a commission for the sales made by the department assistant salesman; and store salesmen receive their compensation on a commission basis.

The Wilkinson Company, a concern selling a broader line of dry goods, employs three classes of salesmen, specialty men being employed by the various departments to call upon bigger merchants and specialty stores with special lines such as hosiery, underwear, and ready-to-wear; circuit salesmen, who are used to open up new accounts and sell big business; and two sets of general-line salesmen, who together carry the

full line, one group carrying the piece goods and the other such articles as hosiery, handkerchiefs, laces, etc. The general salesmen demand credit on all sales to customers in their territories.

Question

Present a workable plan for compensation of these different classes of salesmen of the Wilkinson Company working the same territory.

Problem 269 Compensation of Salesmen*

Question

- (1) "How do you credit salesmen with business received from chain stores in cases where one salesman's efforts result in a branch manager making requisition for goods, which must be purchased by general purchasing agent in home office located out of salesman's territory?"
- (2) "Suppose one of your salesmen called on the purchasing agent of Fairbanks, Morse & Co. at Chicago, who referred him to the superintendent of the Beloit, Wisconsin, plant. The Wisconsin salesman sells the plant superintendent at Beloit, but the Chicago salesman actually secures the signed order from the purchasing agent at Chicago.

Question

"Who would secure the commission? Or would it be divided?"

^{*}Sales Management, August, 1921—To Whom Should the Credit Go?

(3) "A Chicago manufacturer has a representative in Boston. The home office of the Chicago manufacturer sells a large concern in Boston without the aid of the salesman, who has had the opportunity to call on this Boston concern. The salesman claims credit, banking on a technicality in his contract which calls for commission on all goods sold in his territory, including mail orders. Later the business develops and the Boston concern buys at Boston for its branches all over the country.

Question

"Is the salesman entitled to the credit for the business; and, if so, is he entitled to credit for orders being shipped to all parts of the country?"

(4) "A lumber manufacturer has saw mills in Oregon, Louisiana and Minnesota. His office is in Chicago. The Louisiana salesman for a belting concern sells the superintendent of the Louisiana mill, who makes a requisition on the Chicago purchasing agent. The Chicago purchasing agent gives the order to the Chicago representative of the belting concern. Both salesmen claim credit. Who is entitled to it? Later the Chicago salesman, through his efforts, induces the purchasing agent to standardize on belting for all three mills. The Chicago salesman then claims commission on all business, while the Oregon and Minnesota salesmen claim commission because the belting is shipped into their territory.

Question

"Who is right?"

(5) "The sales manager of a concern originates a valuable account in open territory. The business continues to come in by mail after the territory is filled with a salesman.

Question

"Is the salesman entitled to credit on these mail orders?"

(6) "A salesman working on a commission basis makes a trip over several states where there is no salesman. Later he is assigned a permanent territory outside these states.

Question

"Is he entitled to commission on repeat orders from these states as long as they are open territory?"

Problem 270

Compensation of Sales Force

The White and Kendall Company, manufacturing a line of printed and lithographed goods—calendars, posters, novelties, etc.—has during the past five years increased the payment of salesmen in response to their demand for increased compensation to offset the high cost of living. Commissions earned by the salesmen of this concern during the last eight months show an increase of 75% per man over the same time during 1914. No war bonuses were allowed, and the rates of commission are practically the same today as they were four years ago.

The White and Kendall Company have in the past had two forms of salesmen's contracts—a salary and a commission. Any salesman on salary contract has

had to itemize his expenses daily in order to get credit for them at the end of the month. Today the company is working largely on commission contracts: and, by comparing daily reports of salesmen from 1916 to 1919, they get the following averages: in 1916 the average volume of business of each man was \$15.397: in 1919 it was \$28,805. Their average yearly expenses were in 1916, \$1,100; in 1919, \$1,320. The actual percentage of total traveling expenses to volume of business done by these men was reduced from 7.8%to 5.5%. In other words, what are classified as legitimate traveling expenses, between the years 1916 and 1919 (inclusive) rose in far less proportion than actual living expenses, although it is quite possible that the salesmen exercised greater economy. During the same period, the per cent of these expenses for railroad fares, as compared to the total expenses listed. remained the same, 37%. Of this, railroad expenses took up an average of \$488.40.

Business conditions are getting tighter. It will take more work to sell goods from now on. On that account, and on account of increase in railroad and other expenses, the salesmen demand an increased rate of commission (June 1920).

Question

Should the sales manager advise granting the increase?

PROBLEM 271

Compensation of Salesmen

The following is taken from the sales manual of Curtis & Nye Company, a large manufacturer of men's work garments.

Contract

The Company neither requests nor accepts a contract for sales services, it having been demonstrated that contracts are worthless to all parties concerned.

Our sales plan is not complicated. Remuneration is based entirely on results. The House is anxious to retain the services of a producer; one who follows the rules of the House, as outlined in this booklet.

If results from a territory are not satisfactory to the Company, they reserve the right to make any change that is deemed advisable. They may reduce, enlarge or change boundaries, transfer to another field, or remove entirely from the payroll.

It is expressly understood that the House is not bound by any written or verbal agreement, entered into by two or more individuals connected with the Firm, which conflict in any manner, shape or form with this arrangement.

A salesman, upon leaving the employ of the Company, either of his own volition, or at the request of the Company, retains his interest in any and all orders which have been secured by him prior to the time of his removal.

Commissions will be due and payable according to the outline under the subject, "Salesmen's Commissions," below.

Concurrent with the time of his removal, he will cease to have any interest in or participate in further business secured from the territory or from any business secured anywhere, which might be due to his efforts while in the employment of the House.

Salesmen's Commissions

Payable on net sales the sixth of the month following the date of shipment.

Your account is debited with commissions on goods returned from your territory.

Your account is credited with:

Six per cent on all dealer business secured by yourself for shipment into your territory.

Six per cent on all dealer business secured by mail for shipment into your territory.

Three per cent on dealer business secured by yourself, but shipped and billed into a territory other than your own.

One and one-half per cent on business secured in another territory, shipped into your territory, but billed to still another territory. (In a case of this kind, salesman securing the order receives three per cent, salesman occupying the territory where goods are billed one and one-half per cent, salesman occupying territory where goods are shipped one and one-half per cent.)

Three per cent on industrial business secured in another territory and shipped into your territory.

Three per cent on industrial business secured by you personally and shipped into another territory.

Parcel post charges or prepaid freight or express charges are shown on invoices, but no commission is allowed, other than on invoice value of the garments contained in shipment.

The Accounting Department is not infallible; we are liable to make mistakes; therefore, if our records do not coincide with yours, we gladly make up an itemized statement for you. However, we expect you to keep an accurate record of your personal sales, and do not believe that it will be necessary to call on us for this extra work, except in exceptional instances.

Questions

- 1. Criticise this plan of compensation.
- 2. Is the position of the company as to contracts with salesmen sound?

PROBLEM 272

CONTRACT WITH SALESMEN

The following is a contract used by the National Cash Register Company to establish definitely its relationship with salesmen:

relationsh	ip with salesmen:	
	Salesman's Contract	
		19
Mr		
	(Salesman)	
Cash Regi to sell casl	a Sales Agency contract with ster Company, I hereby agree registers and other products fur in the following territory: (to employ you rnished by said
	i)	
This con	tract is effective	19

on the following conditions, viz.:

- 1. You are strictly to obey all the rules and regulations of this office, be governed by the decisions of said Company, and follow such instructions as may be given you from time to time.
- 2. For the reason that at conventions and conferences of the sales agents, their salesmen, and officers of said Company and in other ways, you will obtain confidential information regarding the Company's business affairs, its necessities and plans, and the names and requirements of its customers, which it would not be fair nor right to use to its detriment, you agree in part consideration of your employment by me not to engage directly or indirectly for yourself or as the agent or employee of another, in buying, selling, or dealing in cash registers, in the territory herein granted, for a period of one year after the termination of this contract, without the written consent of said Company, and this agreement shall inure to the benefit of the Company.
- 3. During your continuance as salesman for me under this contract you are to have and receive from me a commission on all cash registers sold for said Company for use in your territory, whether sold by you or any other person in my employ, or in the employ of said Company, except as hereinafter provided.

Your commission to be as follows:

new registers:

Class 800 except Nos. 841, 851, 846, 856.

Class 900

Class 1700 except No. 1722.

All of which are for convenience called "A" Grade.

......per cent on the list price of the following new registers:

Class 100.

Class 700 except Nos. 711, 720, 722, 730.

Class 1000.

Class 1100 except 1122, 1142.

No. 841.

No. 846.

No. 851.

No. 856.

The N. C. R. Credit File.

All of which are for convenience called "B" Goods.

.....per cent on the list price of the following:

The N. C. R. Electric Credit System Switchboard and Telephones.

Swivel Base.

This rate of commission also applies to the selling price of the following second-hand registers:

Class 500.

Class 400.

79 Principle.

Class 300 with tape.

Class 1000.

All of which are for convenience called "C" Grade.

.....per cent on the list price of the following new registers:

Class One.

Nos. 1122, 1142.

No. 1722.

Class 700 without tape.

This rate of commission also applies to the selling price of the following second-hand registers:

Class 300 without tape, except Nos. 310, 311, 320, 321. 35 Principle.

All of which are for convenience called "D" Grade.

.....per cent on the selling price of the following second-hand registers:

No. 310.

No. 311.

No. 320.

No. 321.

All of which are for convenience called "E" Grade.

In no case is the commission on a second-hand register to be more than the rate carried by the same register when sold as new.

In all cases where an excessive allowance is made, the commission will be figured on the money difference that would have been paid had the regular allowance been made, and you will be charged with your proportion of the excess.

- 4. Where an amount less than the first three regular payments is paid on any cash register, and the Company is obliged to take the register back, you are to receive no commission, but if you retain possession of the register and resell it at the list price within six months, you are to receive from me your regular commission on the amount first paid, provided no expense has been incurred in making the register salable, and not less than three regular payments have been made on the second sale. If such expense has been incurred you are to receive commission only on the second sale. On autographic registers you will receive no commission unless one-half of the list price has been paid.
- 5. The National Cash Register Company reserves the right under my Sales Agency contract with it to fix the amount to be allowed on special exchanges of new National Cash Registers for old or for registers of other makes. Where you make a greater allowance for an old National register, or register of another make, than is designated by the latest price list, I reserve the right to refuse such order.
- 6. When, in the opinion of the Company, the general conditions of the business in any part of the United States or Canada necessitate the sale of cash registers by said Company through mediums other than Company offices or regular sales agencies, you hereby waive any claims to commission on any sales so made in your territory.
- 7. All orders taken by you are to be subject to the approval and acceptance by said The National Cash Register Company, as provided in my Sales Agency contract with said Company.
- 8. You agree not to enter the territory of any other sales agent of said Company for the purpose of selling cash registers, or any other products listed herein, or to endeavor, directly or indirectly, to make sales of cash registers, or other products, for use outside of your territory; but should a purchaser call on you voluntarily and purchase a cash register or any other product listed herein for use outside of your territory you are to receive your proportion

of my commission on the money received from such a sale When under like restrictions, as above provided, any other authorized sales agent of the Company sells a cash register, or any other product listed herein, to be used in your territory, your account is to be credited with your commission. less your proportion of the commission paid the sales agent making the sale. On sales made by or with the assistance of a Company salesman (also on sales made by or with the assistance of any Company representative. who enters your territory for the express purpose of closing or assisting in closing business) your account is to be credited with your commission, less your proportion of the commission retained by the Company. These commissions are subject to the same liability to be charged back against your account in case of non-payment by the purchaser as in other cases. This arrangement applies not only to business procured at the time of the Company salesman's visit, but also to all business subsequently procured by you, the Company salesman, or someone else other than the Company salesman, from concerns previously worked upon by the Company salesman, provided such business is closed within six months from the date of the Company salesman's last visit, even though such visit may have been during the occupancy of this territory by your predecessor.

9. All claims for commission on sales of cash registers, whether such sales are made by you or others in your territory, and all claims of whatsoever kind, are hereby waived by you if not made within one year from the date of cancellation of this contract.

10. You agree that you will not under any circumstances give any part of your commission to any assistant, local agent, or other person as an inducement for him to assist you in making a sale, without permission.

11. Should you absent yourself from your territory, without giving written notice to me in advance, you are not to be credited with the commission on any sales made in your territory during your absence.

12. Upon receipt by me from The National Cash Register Company of notification of the settlement of an account by cash or notes, you are to be credited on my books with the amount of your commission on such settlement.

13. In case the purchaser fails to pay any note, and your commission on the sale has been paid or credited to you, the commission on the amount of the unpaid note is to be charged back against your account.

11. All orders for eash registers shall be taken on printed forms furnished me by said Company, which are to be returned to me immediately after the signature by the purchasers, and all conditions and special agreements shall be noted thereon, it being understood and agreed that said Company shall in no way be responsible for promises or conditions not specified on the orders. No registers or supplies are to be sold for more or less than the list price established by the Company, plus freight or express. If said Company is obliged to make any concessions to customers, or any expense is incurred by a violation of these requirements, the amount thereof may be charged by me to your account.

15. You are to collect promptly and turn over to the Collection Department of this office, at once, all notes or accounts which may be placed in your hands for collec-

tion, whether the sale was made by you or not.

16. You agree to make daily remittances to me of all cash received for me or The National Cash Register Company, including money received for supplies sold and repairs made, in the manner prescribed by me, and in no event shall you use any sum of money collected for me or said Company to defray your expenses or for any other purpose. In no case and under no circumstances shall you sign my name or said Company's name; but, should a purchaser require a receipt for a cash or other payment, you will receipt to him in your own name as salesman.

18. All attorney's fees and costs arising upon collection of the prices of registers sold by you or recovering possession of same charged to my account by said Company shall be divided between us, and you are to have charged to your account by me and pay the same proportion thereof as you receive or would receive of the full commission upon such sale. In case a cash register is shipped to a purchaser on an order procured by you and the purchaser makes no payment on same, you are to pay your proportional part of the express or freight charges

on the register, on the basis as above stated. You are to pay your own expenses in attending on trials of cases whether you are responsible for same or not, if I so elect.

- 19. You are to pay all your expenses, and under no circumstances are you to represent The National Cash Register Company or me as being responsible for same.
- 20. In case of the termination of this contract for any eause, you hereby authorize me to pay and charge to your account your outstanding indebtedness, incurred in the management of said territory, but I shall not be called on to pay said indebtedness unless I shall elect to do so, and the payment of part of your indebtedness by me shall not raise any obligation on my part to pay the whole of said indebtedness. No assignment of your account or any part of it, at any time to be binding upon me unless such assignment is accepted and acknowledged in writing by me.
- 21. In case this contract shall be terminated at any time I shall proceed to collect the notes and open accounts and charge back against your account the commission upon such notes and accounts as I shall be unable to collect, together with your proportional part of the expenses of collection. This to continue until a final account can be stated, and no money shall be due you under this contract until such a final account can be stated.
- 22. It is mutually agreed that all objections to monthly or other statements of account rendered by me are waived by you, unless written notice thereof reaches me within thirty days after rendition.
- 23. You agree, while operating your territory outside of your headquarters town, to carry with you on the road the full line of regular samples required by the Company's decisions.
- 24. You agree that you will not purchase or deal in second-hand registers on your own account during the continuance of this contract.
- 25. You agree to furnish said Company and me with a fidelity bond in the sum of One Thousand Dollars (\$1,000,00) to be issued by a responsible surety company and conditioned on the faithful performance of your duties and to indemnify said Company and me from loss by reason of any wrongful act or acts on your part in the position created by this contract. All premiums on this bond to be paid by you.
- 26. In the case this contract shall be terminated at any time, you agree to immediately give or deliver

to me or to someone I may designate, possession of the premises you may occupy as an office at that time, and, if I so request, to assign to me or to such person as I may designate, any lease you may have on such premises; and on demand you agree to return the office furniture, personal property, records, and fixtures hereinbefore referred to, to me to be by me credited to your account at my election, regardless of the condition of your account. The price at which such office furniture, personal property, records, and fixtures shall be credited or purchased, shall be the reasonable value thereof, but in no case shall it exceed 90 per cent of the last appraised value. Under no circumstances are you to dispose of the office furniture, fixtures, or other personal property without first securing my consent to said sale.

27. For any breakage or damage done to my property or the property of The National Cash Register Company, while in your charge, you are to be held responsible, and all losses sustained by such breakage or damage shall be

paid by you.

28. You agree to keep a list of probable purchasers, and also a list of users of National Cash Registers in your territory. Both lists to show the name, business, and address of the merchant, and the users' list to show also the style and factory number of each register in use. You agree to keep both of these lists up to date by revising and adding to same from information to be secured by your daily work in your territory. These lists shall be and remain the property of The National Cash Register Company and shall be delivered by you at any time to an authorized representative of said Company on demand or at the termination of your contract.

29. You agree to send to me, at the end of each day, a list of all persons who were called on during the day by you in the interests of the business; said list to show each person's name, street address, city, and business, and a brief statement of the object and result of said call; all

to be written on the form furnished by me.

30. It is understood and agreed that this contract is a personal one between us, and that The National Cash Register Company is not to be held responsible for the payment of any commissions or charges falling due under it, and all claims of liability of any kind against said Company under this contract are hereby waived.

31. Your continuance in such agency to end at the option of either party by written notice mailed to the last

known address of the other.

32. This contract covers all agreements to date between us, and all other contracts or agreements of any kind are hereby annulled and cancelled.

33. No alterations of or additions to the provisions of this contract are to be binding upon us unless in writing

signed by both of us.

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Questions

1. Does this protect the company against the following contingencies:

(a) Suit for damages in case of discharge of sales-

man for not securing sufficient business.

(b) Suit for damages for discharge of salesman in case he violates policies of the company.

(c) Suit for damages for discharge because of

automatic continuance of contract.

(d) Suit for commissions upon orders secured but

not shipped.

(e) Suit for damages through discontinuance of product and issuance of instructions to sales force to stop taking orders for that product.

2. What changes should be made in the contract to make it suitable for salesmen operating on a salary

basis?

PROBLEM 273

COMPENSATION OF SALESMEN*

A concern, which had a sales organization consisting of a sales manager, assistant sales manager, advertising manager, and 18 salesmen, was not functioning satisfactorily. Analysis showed that, out of the 18 salesmen, only 6 were what might be termed successful from a profit basis, the other 12 being only mediocre.

A new sales manager was secured and confronted with the problem of bringing the force up to a profitable basis. He found that there were several ways of attacking the situation: by the use of the forced draft method, common in selling one-time specialties; by bolstering up the men with direct advertising; or it was even possible to employ pace-setters, who would go out into a man's territory and show him up. There were objections to all these plans. The first plan would not work out in this case, where men had to build for the future as well as get the immediate order. The second plan was costly for the close margin of profit in the product. The third plan was attended with the possibility of discouraging the force, fostering jealousy, and breaking down team-work.

Salaries of the men were based, in a general way, upon the value of the salesman to the business. One salesman might have an easy territory and with equal effort get more salary than another salesman making poor territory. So far as the men could see, salary increases were largely a matter of how well they were regarded by the chief officers. The new sales manager believes that, if some sort of profit-sharing scheme could be worked out to make the men receive the profit due them from every transaction, the old-time vigor of the organization would be restored and success would be assured.

Question

What should be done?

^{*}Sales Management, January, 1920; also 1919, p. 121.

Problem 274 Method of Compensation

The Bragdon Adding Machine Company, with main sales offices in New York, has placed sales in charge of a general sales manager under whom is an assistant sales manager in charge of domestic sales, an export sales manager, and an advertising and promotion manager, Under the domestic sales manager are district sales managers who have control of salesmen and local managers. Local managers are assigned definite territories in a district. The salesmen are of three types senior salesmen, junior salesmen, and advance agents who are the new recruits to the sales force and whose duty is simply that of arranging demonstrations for either the junior or senior salesmen with whom they The junior salesmen are those who have been promoted from the position of advance agents after serving three months in that capacity, and after a training course of from four to six weeks in the factory school of the company. The iunior salesman works under the direction of a senior salesman or local manager in giving demonstrations and in instructing purchases in the operation of the machine. Little by little the junior is allowed to advance in his selling work until he can carry through a demonstration and close the sale. After three months or more of gradually increased responsibility, if successful, he is made a senior salesman.

Up to July 1921, the compensation of the sales force was paid almost entirely by commission. Advance agents were paid a straight salary of \$20 or \$25 a week. This salary was borne one-third by the company, one-third by the district manager, and one-third by the salesman with whom he worked. A junior salesman was paid in like manner, though his salary was greater. When a junior salesman was promoted to the position of senior salesman he went on a straight commission. Likewise, the local and district managers were paid on commission. The district manager received a commission of 35% on all sales in his district, out of which came the

commissions of the local manager and senior salesmen. The local manager was paid a 30° commission upon all sales made from his office. From this he paid the commission of salesmen under him. The senior salesmen working in cities where no expenses were to be incurred except carfare got 20° within 12 miles of the local office. Outside the 12-mile limit 25% was allowed on sales to cover additional expenses. Each senior salesman bore all his own expenses. The local manager had to pay office expenses from his commission, while the district manager bore his personal expenses and the expenses of the district office. As noted, the salaries of advance agents and junior salesmen were borne in part by the salesmen and managers.

When business conditions were good the plan was found satisfactory insofar as satisfaction on the part of salesmen, local managers, and district managers was concerned. With the general business depression of 1920-21, however, expenses accumulated while sales steadily decreased. The management felt the necessity of changing its method of compensation.

Question

What system of compensation should have been adopted?

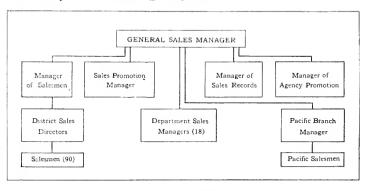
Problem 275

DISTRICT SALES DIRECTORS

With the development of the sales organizations, there is a constant tendency to cut down the territories assigned to salesmen. Frequently the smaller territories yield more business than the larger did. For much the same reasons, some concerns advocate fewer salesmen for the sales manager to look after. Without

cutting down the sales force, this implies that there shall be more sales managers or sales supervisors under the general sales manager's direction than there are now in most organizations. After giving the matter considerable thought and study, the Sherwin, Williams Company is of the opinion that there should be a sales manager for every ten salesmen. The head of a prominent real estate organization has five supervising general sales managers under the president, five sales managers to each general sales manager, and ten salesmen to the sales manager. A large implement manufacturer sets eighteen salesmen as the ideal mark.

The Simpson Drug Company is a manufacturing wholesale-drug corporation with large plants located in New York City and St. Louis. It has an extensive line of private brands, which are widely advertised; its goods are sold direct to drug retailers throughout the United States, the plan of exclusive representation having been adopted and successfully carried out. The general organization of the sales department is shown by the following diagram.



It will be noticed that the salesmen report to the manager of salesmen, who is responsible only to the general sales manager. The general sales manager and the manager of salesmen feel very strongly, on the basis of much experience, that it is impossible for one or two men to handle successfully 90 salesmen. Consequently, it has been decided to try out the plan

of district sales directors to be appointed from the ranks of the salesmen. The duties of the sales director are stated in a letter from the general sales department to salesmen, as follows:

- (1) It has been decided that in various parts of the country we will put in charge of certain territories an experienced representative, who will be known as a Sales Director.
- (2) The Sales Director will be in charge of sales in his district and answerable only to the Sales Manager and will be held strictly responsible by him for results in the territory.
- (3) Mr. J. J. Fraser, until further notice, will represent at the Home Office the Sales Directors and will act as a go-between in the dealings that the Sales Directors have with the various departmental managers and will be held responsible for results in his work by the Sales Manager.
- (4) The Sales Director will have full charge of arranging and assigning of territory to representatives in his district.
- (5) He is to hire new men for his district and they can be sent into Boston for training, subject to the O. K. of the Sales Manager, and he can dismiss any man working under him, but he is expected to get the O. K. of the Sales Manager before doing this.
- (6) He is expected to report at the Home Office any unsatisfactory work that is being done in his district by the representatives.
- (7) He is expected to work with his various men in their respective territories spending as much time with them as he deems advisable, and when with them, show how best to get results by working the more difficult accounts.
- (8) He is also expected, when he considers it advisable, to go out and work individual accounts personally.
- (9) He should call the men under him together at least every 60 to 90 days, if advisable, and systematically work out a campaign for their next trip over their territory, suggesting seasonable items to work on and planning the proper featuring of future merchandise.
- (10) He is expected to take up promptly all matters affecting dealers or representatives with the proper authorities at the Home Office and is also expected to give prompt attention to all correspondence.

(11) All matters affecting the Sales Department, either through poor service or faulty manufacture of merchandise, should be taken up promptly.

(12) He is expected to send in successful selling ideas used by his men or by our dealers in his district and is to work out different selling ideas with a view not only of selling merchandise, but also with the thought of helping our dealers dispose of the merchandise sold them.

(13) It is expected that he send in a weekly report, showing in detail the work that he does and covering the general conditions in the territory which he has been working.

(14) He should receive from each representative in his district the weekly expense account, copy of route sheet and report of calls made, checking same as promptly as possible and sending to Home Office the checked expense accounts and reports of calls made.

(15) Sales Directors should see to it that the representatives in their districts send them all initial orders for their approval and they should then forward same to proper destination.

(16) All applications for new agencies or successions should receive the O. K. of the Sales Director and be acted upon by him as soon as possible.

(17) All merchandise sold by the Sales Director shall go to the credit of the representative in whose territory the order is taken.

(18) All business letters sent to Sales Directors should be O. K.'d by Mr. Fraser, or in his absence by Mr. Bryant, and copies of same sent to Mr. Fraser for reference. Mr. Fraser should also be furnished with copies of all letters sent to representatives working under Sales Directors, and he will be held responsible for the seeing to it that the lastmentioned copies are forwarded to the proper Sales Director. In the case of all letters written to our dealers in territory that comes under a District Manager, and where copies are sent to the representative working that territory, an extra copy should be sent to Mr. Fraser, who in turn will forward same to the Sales Director.

Of the six sales directors so far appointed, two have been placed in charge of five salesmen each, one in charge of six, one in charge of seven, and two in charge of eight. One of the problems connected with the adoption of this plan is that of retaining the esprit de corps among salesmen in a district, where one of their number has been appointed sales director and has been given authority over them.

Questions

- 1. As general sales manager, write a letter which would satisfactorily explain the reasons for the move and secure the cooperation of salesmen with the new sales director and the sales organization generally.
- 2. Should these sales directors be rotated from one district to another?
- 3. Criticise the general plan of having sales directors.

In one of the districts in which there have been five salesmen, the district sales director recommends that two salesmen's territories be divided and that two new salesmen be added. The salesmen, who work those territories at present, object to having their territories cut down.

Question

How should the matter be handled?

PROBLEM 276

ORGANIZATION FOR FIELD SUPERVISION OF SALESMEN

The sales manager of the Ames Company, a Chicago dry-goods jobber handling dress goods, ready-to-wear, notions, knit underwear and hosiery, has become dissatisfied with the showing of his salesmen, particularly in hosiery and underwear sales. It seems that the salesmen, who are provided with samples and equip-

ment for handling all the lines of the company, prefer to sell dress goods and other lines which run into money more rapidly than the specialty or notion lines.

As an experiment, the sales manager hired a specialty salesman, gave him the samples and equipment for the sale of underwear only, and set him to work in the Pennsylvania and Ohio territory where the showing of the general salesman was particularly bad in hosiery and underwear sales. To the surprise of the sales manager, the sales of the specialty salesman were larger than the total general sales of the general salesman in that territory. The general salesman had all along been opposed to the experiment; when he saw the results, he claimed that he was being cheated and stated that he would quit unless paid commission upon all specialty sales.

The sales manager feels that one of two courses of action is open: either an adjustment of compensation so that commission is paid to both the general salesman and the specialty salesman (this would have a tendency to increase selling costs); or giving the specialty salesman much of the territory with carte blanche to hire an assistant or assistants to work the general trade (this is the course which the sales manager is inclined to adopt).

Questions

- 1. Which plan is preferable?
- 2. What is to be said for the second plan?

PROBLEM 277

Management of Salesmen

The sales manuals of certain firms contain the following clause or its equivalent:

No order is to be accepted or entered unless signed by an authorized person of the company or firm ordering, or accompanied by a regular official confirmation. When an order is submitted by a salesman unsigned by the company or firm ordering, it must be accompanied by an explanation from the salesman giving reasons why not signed, together with time, date, and place order was given to salesman; and when received at the factory, before being entered it must be approved by the general sales manager.

Questions

- 1. What are the purposes of such provisions?
- 2. Is it generally wise to issue such orders?

PROBLEM 278 RATING EMPLOYEES*

In a large New York bank it was found that some systematic record of employees' attainments and performances must be kept as a means of enlisting the good will of employees.

Each employee, upon entering into the service of the concern, is made acquainted with the purpose and administration methods of the company and with the cards. He is also shown the qualities in which he is to be rated and what the rating scheme is.

Among the chief qualities for which ratings are given are the following:

^{*}Cf. Problems 39, 40.

Accuracy and appearance of work Amount accomplished Attendance and punctuality Intelligence Interest in work Personal appearance Quickness to learn Speed and quantity of work Tact Trustworthiness General value to the bank

Ratings are made every three months. Employees are given access to their own rating cards in some cases; in others, they are called in to interview the personnel officer as to where they stand.

Questions

1. Can this be applied to salesmen and branch managers?

2. Prepare a form in which proper weight is given

to various qualities to be rated.

3. Would you suggest any other qualities than those mentioned?

PROBLEM 279

SALESMEN AND CREDIT DEPARTMENT

In the sale of automobile trucks the work of the credit department is especially important. Many men in the trucking business or those just starting in the business have but little capital. They count on making as large an initial payment as possible on a truck with the idea of settling for the remainder in monthly instalments out of their earnings. Often the first payment is only for one-third or one quarter the price of the car. The credit department must determine

whether the prospective business of the man will be sufficient to enable him to meet the periodic payments.

In June 1921, the sales manager of the Dartmouth Sales Company, a selling corporation for Dartmouth trucks, learned that three of the company's best salesmen located in three different selling branches had, from time to time, without the knowledge of the management, loaned small truckmen enough money to make the initial payments on the cars, so that the credit department of the Dartmouth Company would accept the sales. The salesmen took the unsecured notes of these customers for their loans, for the reason that the company held mortgages on the trucks.

Question

What should have been the action of the sales manager when he learned of this practice by these salesmen?

PROBLEM 280

INDUCING SALESMEN TO SELL HIGH-PROFIT GOODS

In the manufacture of biscuits there is close connection between raw-material prices and the prices of the finished product. In the Cartwright Company the purchasing department watches the market very closely and is quick to take up any bargains offered. For example, the company may have an opportunity to purchase cocoanut under very favorable terms. Such a purchase is made and the sales force is then called upon to dispose of the product made of that material. This results either in giving greater profits to the company or allowing them to give a special stimulating price upon a particular line, by means of

what they call the "push" system. The main office and representatives of the purchasing, production and sales departments get together weekly and determine what kinds of crackers shall be pushed under the existing market conditions to show the best profit to the commany. After this is determined, the salesmen are notified that the following week certain kinds of crackers will be push kinds. Salesmen are then expected to exert special efforts on these high-profit goods. While the salesmen do not receive any monetary rewards for exerting themselves on these items, the results show up on the reports and it is to their advantage to cooperate with the management. All salesmen are paid on a salary-and-commission basis for 95% of their income, while the other 5% comes to them in the way of bonuses.

Questions

1. Criticise this as a possible means of coordinating sales and production.

2. Under what conditions is the inducement here offered salesmen to exert special efforts to sell designated products sufficient?

Problem 281

Control of Salesmen

The Malaney Macaroni and Cracker Company, located in Omaha, Nebraska, handles a line of biscuits and crackers and several types of package macaroni and similar goods. The company follows the custom of most of its competitors in giving a large cash discount, namely 10%, for payment within 10 days, but ordinarily the discount is allowed if payment is made

Lee..... 9

Johnson.... 8

Winton..... 8

Lee......261

Hering.....234

Mean.....215

Cobb

when the traveling salesmen visit dealers on the next trip after orders have been delivered. Calls are made upon customers every three weeks. It is customary for the company to assign quotas for biscuits and to establish from time to time certain deals or special offers, including goods which the firm desires to have salesmen push. The following shows the records of the salesmen as to percentage of quota attained during the year to date (to July 1), number of new accounts secured by each salesman during June, the number of cases of macaroni sold during June, the amounts of June sales outstanding and still uncollected by salesman on July 1, finally the sales by salesmen of two special deals:

PERCENTAGE OF QUO	та Аттан	NED DURING	YEAR TO DATE
Lee	95%	Wallace	
Stockwell	. 110	Dempsey	82
Cobb		Porter	
Kincaid		Walcott	89
Trott		Hathaway	
Frye		Crowley	
Hering	. 90	Eldridge	12
Seymour		Beeman	
Littlefield	.115	Goller	
Newport		Guest	
Snow		Hare	
Patten		Ham	
Englen		Wood	
Johnson		Mean	
0.01111.011	. 00	Winton	
New Accor	NTS OBTA	ined Durino	g June
Porter15	Goller	7 I	Dempsey 3
Englen14	Stockwell		Newport 2
Trott11		5 I	ittlefield 2
Seymour10	Pray		Beeman 2

Crowlev.... 4

Patten..... 3

Wood..... 3

Number Cases Macaroni Sold During June Crowlev....199

Ham..... 174

Cobb.....165

Frye....

1

Wendell....

Hathaway...

Hering....

Wallace....

Patten 162

Stockwell.. 147

Johnson . . . 133 ½

Dempsey 122 Porter 107 Frye 103 Kincaid 100 Wallace 93½ Hare 87 Walcott 86	Littlefield. 69 Snow. 64 Wood. 59 Newport. 54 Wendell. 52 Goller. 46	Beeman 43 Englen 33 Winton 23 Hathaway 22 Trott 13 Norbert 13 Guest 10
Percentage	OF JUNE SALES UNG	OLLECTED
$\begin{array}{llllllllllllllllllllllllllllllllllll$	$\begin{array}{lll} \text{Snow} & \dots & 90\frac{1}{2}^{C_{C}} \\ \text{Patten} & \dots & 91\frac{1}{2} \\ \text{Englen} & \dots & 91\frac{1}{2} \\ \text{Johnson} & \dots & 94\frac{1}{2} \\ \text{Wallace} & \dots & 96\frac{1}{2} \\ \text{Dempsey} & \dots & 97 \\ \text{Porter} & \dots & 97\frac{1}{2} \\ \text{Walcott} & \dots & 98\frac{1}{2} \\ \text{Hathaway} & 105 \\ \end{array}$	$\begin{array}{c} {\rm Crowley.106\%} \\ {\rm Eldridge.108} \\ {\rm Beeman.111\frac{1}{2}} \\ {\rm Goller.112} \\ {\rm Guest.113} \\ {\rm Hare.113} \\ {\rm Ham.122\frac{1}{2}} \\ {\rm Wood.141} \\ {\rm Mean.141} \\ {\rm Winton.174} \end{array}$
Number	Special Deal No. 1	Sold
Johnson 50 Hering 45 Hare 37 Ham 35 Littlefield 34 Manley 34 Frye 28 Kincaid 24	Goller 21 Wood 17 Mean 16 Walcott 14 Winton 13 Stockwell 11 Porter 11 Dempsey 10	Newport 9 Wendell 5 Hathaway 5 Beeman 5 Englen 4 Trott 3 Patten 1 Snow 1
Number	Special Deal No. 2	Sold
Johnson (dark horse)128 Littlefield105 Frye86 Wood65 Mean53 Newport30 Ham20	Goller . 20 Walcott . 18 Wendell . 15 Kincaid . 11 Winton . 8 Patten . 6 Dempsey . 6	Stockwell. 5 Norbert 4 Wallace 3 Beeman 2 Manley 2 Snow 1 Crowley 1

Question

On the basis of these records, what conclusions, if any, may be drawn as to the relative value of the salesmen to the house?

PROBLEM 282

Management of Salesmen

The Limerick Shoe Company selling a high-grade shoe has a domestic sales force of fourteen men. They are paid an annual salary and expenses. In the past, when these men were not needed on the road, they have as a rule been allowed to remain idle. Sometimes in the off seasons a few have been employed in the development of new lasts. The same condition exists at the present time, although the tendency in the shoe industry is to increase the length of the selling season. Shoe manufacturers are largely at the mercy of trade customs in the matter of length of selling season. though certain measures can be taken to eliminate partially seasonal peaks. In the past it has been the enstom to send salesmen on the road for spring season about September 15. Sales conventions are usually held just before the sales trips; for this reason, it is a decided advantage to have salesmen get in and out at the same time. It affords the best chance for raising the esprit de corps of the force. The company wishes to keep the lines uniform. It is desirable to make up the samples carried by salesmen as late as possible. Thus, in determining the line to be carried, the company has an advantage if its salesmen start even later than September 15. In the past year or two, it has been found possible and profitable to send salesmen out the latter part of July on a trip lasting until October 1 to make sales which were lost on the earlier trip. The plan has been to have the force come into the Boston office about the first of October for a convention and to start the men on a spring sales trip October 10.

It has developed that business conditions in the southern territories are so bad that it will not pay to make the "in-between" trips there. Unless salesmen are on the road by September 15, orders cannot be filled in time for southern dealers for the spring trade. If the southern salesmen are sent out early, they miss

the convention. Also, by sending them out early the company is forced to lose the advantage of determining the line as late as it would otherwise.

Question

What should be done under the circumstances?

Problem 283

Management of Salesmen—Trial Orders

The branch manager for a mechanical equipment house, which does business in all parts of the country, in examining the daily reports of his salesmen, found the general tenor of remarks was as indicated by the following extracts:

Purchasing agent has ample supply of small tools at the present time, but agreed to buy a small quantity of ours and make comparisons.

I could see that Mr. White was greatly impressed by my talk upon belting, and he is going to use ours on one battery of machine tools to see how it stands up.

These people certainly gave me a nice hearing. I feel that they are trying to be entirely fair. They finally gave me an order for one package, which they will watch very closely for results.

This account is a hard nut to crack, but I made up my mind not to give up and today I kept my foot on the door until I got a tryout order, which I am confident will lead to more business.

I made a long and careful canvass for their mechanical supply business, but of course I could hardly expect a big order from them the first time.

Question

What conclusions, if any, are to be drawn from these reports?

Problem 284

SIDE-LINES CARRIED BY SALESMEN

A company manufacturing writing inks and adhesives pays its sales force almost entirely on the basis of salary and actual expenses, expecting therefor to secure the exclusive services of the salesmen. Recently, the sales manager learned that one of his salesmen sold a customer an order of allied but non-competitive goods. Inquiries were made of the salesman and he replied that he did it as a service to another salesman, who was taken sick in the town where the sale was made before visiting all the trade in that town.

Questions

- 1. What should the sales manager do?
- 2. Under what conditions, if any, is it advisable for a sales manager to permit the salesmen to carry sidelines?

Problem 285 Intensive Use of Sales Force

A manufacturer of men's shirts, whose salesmen called upon dealers every sixty days, as is customary in the trade, decided to double the number of calls. Territories were cut in half, and the sales force was doubled. For a period of six months, sales records show that the increase is no greater than normal.

Question

What reasons might be assigned for such a result?

Problem 286 Drawing Accounts

The Wright Billing Machine Company has its offices in Detroit, Michigan. Its organization is similar to that of many companies selling office appliances. Under a sales manager are district managers in charge of local managers and salesmen. The local managers supervise the work of senior and junior salesmen, subject to the direction of the district managers. The senior salesmen are on a straight commission basis of payment, receiving 20% on sales in territory within a 12-mile radius of city branches and 25% in territory outside. Senior salesmen pay all of their own expenses, but are given a drawing account by the main office.

In June 1921, and previous thereto, it was the practice of the company upon promoting a junior salesman to the position of senior salesman, to grant him a drawing account up to \$50 a week which was allowed until he was able to carry himself by his commissions. The drawing account was charged

gradually against the commissions due him.

During the dull period of business from July 1920, to July 1921, the Wright Company continued to extend its sales organization in the face of the depression, with the result that its business was well maintained in comparison with that of other manufacturers selling similar products, but the sales of individual salesmen were far below those of the preceding years. Further, the new salesmen were especially weak in getting business during this period. Some salesmen, as a result of unusually adverse conditions, overdrew their accounts to such an extent that it would have taken them from one or two years to wipe out their debit balances, even with a return to normal conditions. The indications were that these men, with an increase in experience, would be desirable salesmen. Some of the overdrawn accounts were those of local managers in charge of local offices. These men were allowed a commission larger than that of senior salesmen not in charge of offices, but from it they had to pay office

expenses. Some of these local managers had senior salesmen working under them, upon whose sales they realized a 5^{c}_{c} commission.

At a committee meeting of the sales managers in the main office in July 1921, consideration was given as to how to treat these overdrawn accounts.

Questions

- 1. Should the company have taken a loss outright by wiping off the debit balances standing against salesmen and local managers?
- 2. Should they have adopted a policy of making the salesmen pay off the amount owed, gradually, or should they have adopted an intermediary course of reducing the amount due?

PROBLEM 287 DAILY REPORTS OF SALESMEN

The Fowler Company, selling a food product, requires of its salesmen daily sales reports in which are given salesman's name, date, time of first call, time of last call, amount collected. The towns made are then listed with the number of calls in each town, number sold in each town, and new accounts. Expenses are also given, itemized as railroad fares, meals and lodging, telephone and telegraph, bus and street-car fares, team and driving, sundries, gas and oil. On the reverse of the report are spaces for statement of sales made according to varieties with a special statement for "push" kinds sold, or brands which the sales department has asked salesmen to push during the week.

A drug company asks for a much simpler report giving date, name of customer, town, state, place where order was sent (since company sells through branches), initial order or prospect, whether or not sale was made and if not, why? One copy is sent to the headquarters and the other to the branch office.

Questions

- 1. Under what conditions are these reports sufficient for satisfactory control of salesmen?
 - 2. When are they unsatisfactory?

PROBLEM 288

Supervision of Salesmen's Expense Accounts

The Stanley Wise Hardware Company of St. Louis is engaged in the wholesale hardware business and sells its product throughout the Mississippi Valley. In the management of salesmen a good deal of trouble has developed because expense accounts of salesmen seem to have been such as to perceptibly increase selling cost. The supervision of salesmen's expense accounts has been extremely lax and nothing definite has been done except to provide small books for memoranda.

The sales manager of the concern has made an inquiry among other sales managers in regard to salesmen's expense accounts and learns that there is a considerable difference of opinion both in the methods of supervision and in the theories upon which supervision is based.

One sales manager declares it unwise to require a closely itemized return. It is contended that, if salesmen cannot be trusted, their connection with the company should be severed. A report which gives railway expenses, hotel expenses, and miscellaneous is sufficient, and even this should be required only about once a month. It is further stated that to be petty annoys a

good salesman and impairs his value more than could

possibly be gained by detailed supervision.

The opposite opinion is expressed by another, who claims that expense accounts should be given in detail and that the list of expenses which will be allowed by the company should be clearly understood before the salesman goes out on his trip.

A third sales manager declares that, if the report form is so organized as to require salesmen to place expenses and sales side by side and to require them to figure out the percentage of expense to business, a moral check is set which is more valuable and much less

annoving than close supervision.

Still another sales manager checks up his reports by figuring for each salesman the actual number of days traveled and computing the averages for hotel expense, railroad expenses, etc. On the basis of previous experience, by this method a discrepancy can be quickly detected through variation from the general average.

It was the opinion of the former sales manager of the Stanley Wise Hardware Company that expense accounts should be very carefully supervised, that they should be paid immediately in order to avoid hardship,

then checked carefully.

Question

What plan should be adopted?

PROBLEM 289

Use of Automoriles by Salesmen and Branch MANAGERS

In view of the increases in railroad rates, many firms are considering the use of automobiles for their salesmen in making calls. A soap company having national distribution with about 100 salesmen, in investigating the matter finds that there are two general methods used in supplying cars to salesmen. One is for the company to purchase the cars outright, retaining property in them, but giving the use of them to the salesmen. In this case the company pays all expenses of unkeep and running, as they would in any other form of transportation.

The other plan is for the company to buy the cars and resell them to the salesmen on a time-payment basis. The expense chargeable to the house is met by a fixed weekly or monthly allowance. One company requires an initial payment of approximately 25% of the purchase price, the balance to be paid in weekly instalments of sufficient amounts to take up the entire balance within one year from date of purchase. case a salesman resigns before completing payments, he either pays the balance due the company or arranges to sell the car to the best advantage; and, if the amount received exceeds the amount due the company, the salesman is given the balance.

Another company purchases the cars and resells them to the salesmen on an instalment basis, and each salesman is allowed \$500 operating expenses. salesman pays this amount, and it is credited to him on the payment of his car.

Still another company buys and resells the cars on \$20 a month instalments, which are deducted from a

monthly expense allowance of \$50.

When companies own machines, the usual practice is to have each salesman give a daily or weekly report of expenses, in the same manner he would in riding on the train, and the company pays all expenses. Armour & Company and the Barrett Company use this plan.

Ouestions

1. What are the advantages of each plan?

2. Which would be advisable for adoption by the

soan company described in Problem No. 30?

3. Would it be necessary to revise salesmen's territories given in Problem No. 97 if automobiles were adopted?

4 Would it be wise to allow salesmen to route

themselves?

5. Should a monthly, weekly, daily or mileage allowance be adopted?

6. Should branch managers be treated differently from salesmen in regard to automobile expenses?

Problem 290

CONTROL OF SALESMEN'S AUTOMOBILE EXPENSE

Business concerns which undertake to pay the expenses of salesmen have not infrequently encountered difficulty in satisfactorily controlling expenses, when some or all of the salesmen are using automobiles for calling upon the trade. A company selling a widely advertised safety razor provides Franklin cars for a number of its salesmen, who make the outlying districts. It requires of the users a weekly report, giving the daily eash expense and the amounts charged for the following items: garage rent, gasoline, oil, washing car, repairs, new parts, accessories. The company furnishes all the tires and inner tubes, which are purchased in quantities. On the report is also required the meter-reading Monday morning, the meter-reading Sunday evening, mileage for the week and for each day, total miles covered, personal mileage, gallons of gasoline purchased,

and names of towns not visited last year by company's representative. At the bottom of the form is the statement: "Please charge me with miles at 5 cents per mile used in personal service" with space for salesman's signature. On the reverse of the form are instructions for filling out automobile expense accounts, as follows:

(1) Reports should be filled out in duplicate, one copy to be mailed to Cleveland at the close of each week and one copy kept with the salesman, so that he can answer any inquiries direct from copy of report.

(2) It is important that each item be entered in its proper place in the report.

(3) Receipts should be secured for all expenditures of \$1 or over and attached as youchers to this report.

(4) In order to know the exact company cost of operating the ear, personal mileage (if there should be any) should be stated with the greatest degree of accuracy.

(5) We ask you to make your report complete and accurate to save correspondence.

A second company, likewise with a national distribution, encourages the use of Ford cars. considerable experience with various methods of control, the following plan has been adopted. company sells each salesman a machine or allows him to buy his own machine, advancing not over \$800 to be paid back within at least 15 months. If the man is on a commission basis of payment, he pays all his own expenses. If he is a salaried man, the company allows 10 cents a mile for running his car. The mileage allowed is checked on the map on the salesman's territory for the shortest running distance between points. Eight hundred miles a month are allowed each salesman for the distance traveled within town limits. The management leaves it to the salesman to state the mileage used within a city's limits. On an average, between 150 and 200 miles a week are reported.

Question

Which of the two plans would be suitable for the company described in Problem No. 239?

Problem 291 Sales Conventions

The Mitchell Typewriter Company has its main sales offices in New York City. It has, throughout the United States, approximately 100 branch offices and a force of 200 senior salesmen, besides a large number of innior salesmen. The policy of the Mitchell Company has been to hold an annual sales convention in New York, to which all senior salesmen have been brought with all expenses paid. conventions have been thought well worth while because of their inspirational value and because of the educational work which has been carried out at such meetings. In 1921, the sales of the company had fallen off materially. The finances of the company were in good condition, but economy was being practiced throughout the organization.

At a committee meeting of the general sales manager and his assistants in July 1921, the matter of holding a national convention in the fall was discussed. There was a division of opinion as to what course should be pursued. Some favored elimination of the national convention that year because of the great expense entailed; others maintained that the national convention would be of especial value at that time as an aid to bolstering up sales. It was suggested that division conferences should be substituted for the national convention. The officers had had no experience with district conferences, but knew that manufacturers of other products had used them with apparent success.

Questions

1. Should the Mitchell Company have omitted its national convention when sales were not good?

2. Should the company have permanently substituted district conventions for national conventions?

PROBLEM 292 SALES CONTESTS

Many sales managers believe that contests among salesmen are necessary from time to time in order to develop a healthy interest and rivalry. Other sales managers have had disastrous experience with sales contests, because they develop jealousy instead of healthy rivalry and the subsequent performance of the sales force as a whole is less satisfactory than before the contest was staged. If it is decided to put on a contest, the sales manager has to take care that he avoids the pitfalls into which many apparently well-planned selling plans of this kind have fallen.

The sales manager of the Warden Company of Troy, New York, a firm manufacturing a line of men's collars and shirts which are widely advertised, wished to stage a contest among his salesmen during 1921. It was suggested that money prizes be offered on the basis of greatest accomplishment for the firm; this was to be judged by the volume of sales, number of new agencies established, cooperation with advertising department in distribution of dealer helps, general value to the business as rated by a committee of sales executives. Two prizes were to be given in each territory and one larger prize to be given to the leading man in all districts.

Question

What must the sales manager do in order to work out this plan satisfactorily?



PART VII CONTROL OF SALES OPERATIONS



PART VII

CONTROL OF SALES OPERATIONS

OUTLINE

- A. Necessity of Control.
 - 1. Requisites of satisfactory control systems.
- B. Methods of Control.
 - 1. Reports and records.
 - 2. Control officials.
 - 3. Graphic methods of sales control.

C. Reports.

- 1. Reports of salesmen, agents, representatives.
- 2. Reports of field and district offices.
- 3. Reports of sales executives.
- 4. Reports of outside agencies.

D. General Records.

- Statistical records relating to customers, prospective customers, and sales variously classified according to products, territories, classes of buyers, etc.
- Records relating to performance of salesmen and other members of sales force according to individuals, districts, etc.
- 3. Records bearing upon advertising; control and results.
- 4. Records of orders, deliveries, and shipments.
- 5. Records or personnel.
 - (a) Ratings, application blanks, interview blanks, etc.
 - (b) Individual performance data.
 - (c) General data.
- E. Methods of Handling Sales Records.

GENERAL QUESTIONS*

A. Necessity of Control.

What are the requisites of a satisfactory system of control of sales operations? Is there necessity for a system of control outside of that furnished by accounting systems?

B. Methods of Control.

What reports and records can be used for the control of sales? Should the control of sales operations be the function of any single official or not? In what way can graphic methods be used in sales control? What should be the nature of reports of salesmen, agents, and representatives? What reports should the sales executive prepare for administrative officers? What type of reports should be secured from agencies outside the business? What are the sources of the following records and why should they be used in controlling sales: (a) records relating to customers: (b) records of prospects: (c) sales classified according to products, territories, classes of buyers, et cetera; (d) records relating to the performance of salesmen and other members of the sales force, giving sales according to individuals, districts, lines, et cetera: (e) records dealing with advertising, showing returns from advertising, expenditures, et cetera; (f) records of orders, deliveries, and shipments; (g) statements of budget estimates as to sales, production, stocks, et cetera: (h) records of personnel, such as application blanks, interview blanks, letters, ratings, individual performance data?

C. Selling Costs.

What items should properly enter into selling cost? How can standards for various items of selling cost be determined?

*Among the few sources of information upon sales control may be mentioned two Dartnell Reports: A Special Report on the Use of Graphic Charts in Sales Department Work, and Suggestive Sales Record and Order Systems as Used by Representative Concerns in Varied Lines of Business: M. T. Copeland, Business Statistics, Harvard University Press; Brinton, Graphic Methods of Presenting Facts, published by the Engineering Magazine. Budgetary control is discussed in a series of articles in Administration, January, 1921, and succeeding months; J. O. McKinsey, Budget Making and Control, Ronald Press; W. E. Freeland, Coordination of Sales with Scientific Production, Bulletin of the Taylor Society, October, 1920; L. Greendlinger, Financial and Business Statements, Alexander Hamilton Institute; Proceedings of the Taylor Society, Spring Meeting, 1921; Cottingham, Description of Budget System of

PROBLEM 293

Sales Records

It has been stated that business men feel they should have information under the following headings in order properly to control a business:*

- 1. Running inventory of stock; by selling price; by quantities; purchases; "used" or sold; balance on hand by departments or lines; by percent of sales.
- 2. Sales (total; by departments; by lines; by salesmen; by territories; by percentage; by discounts taken).
- 3. Profits or losses (by departments; by lines; salesmen: percent; discount taken).
- 4. Costs of doing business (total; departments; kinds of expense; amount; percent sales or cost).
 - 5. Collections (total; percent of sales; territories).
- 6. Outstanding obligations (total; percent of sales; territories; overdue).
- 7. Goods returned (total; lines; territories; percent of sales).
 - 8. Balance sheet.
 - 9. Financial summary (statement of operations).
- 10. Trade and business conditions (crops; money market; inventions; development of new trade customs; styles; transportation; weather).
- 11. Efficiency of employees (by profits; percentages on standards of work or conduct; and complaints).
- 12. Advertising (total; departments; media; results).
- 13. Cash (receipts; disbursements; anticipated payments).

Sherwin-Williams Paint Company, System, May, 1920; Journal of Accountancy, June, 1920, Accounting Measures to Meet Depression; Journal of Political Economy, November, 1919, Accounting as an Administrative Aid; the following articles in Printers' Ink: July 28, 1921, A Monthly Photograph of Supply and Demand; January 20, 1916, Graphic Sales Pictures that Analyze the Business. The student is also advised to consult general works upon business organization mentioned on page 29 foot-note.

*J. H. McCullough, System, May, 1918.

- 14. Rate of turnover (on total business; by departments; lines; number of day sales on ledger).
- 15. Production (by amount finished, under way and not started; time lost; by total cost; by unit cost; by labor cost—direct and overhead; by material cost; by "overhead").

Questions

- 1. How much of this information is properly collected by the sales department?
 - 2. How much is of interest to the sales department?
- 3. What items are essential to proper conduct of sales activities?

PROBLEM 294 SALES EXPENSE

A sales executive, as well as other executives interested in the general aspects of an enterprise, is interested in keeping selling costs at the lowest point consistent with the desired volume of business and net profits. In order to ascertain when and why selling cost is satisfactory or unsatisfactory, some method of comparison is necessary, but comparison is difficult because of the various items which are included by some concerns in selling costs and not included by

others. Among these items are the following:

Accounting department
Adjustments
Advertising
Association dues
Auditing department
Bad debts
Billing department
Branches: salaries, commissions, bonuses, expenses

Canvassing
Charity
Collections
Coupons
Cost and inventory
Credit department: salaries,
expenses
Dead stock
Dealers' commissions

Demonstrating Designing previous to sale Developing department Discounts, sales Education work: sales schools etc. Entire overhead Exhibits Expense operation automobiles and depreciation Export commissions Export freight Foreign selling Free goods Freight and cartage Insurance Janitor Legal expense Losses on restaurant Mail-order department Marine insurance Mercantile reports Office rent Order department Paymaster Postage

Profit-sharing Proportion of overhead Royalty Sales conventions or con-Sales department: salaries, expenses, bonuses Sales manual Salesmen's liability and insurance Salesmen's salaries, commissions, bonuses, expenses Service and refinishing Special advertising for local dealer Stationery and supplies Stenographic department Submission expense Tabulating department Telephone and telegraph department (selling) Trade aid Traffic department Welfare department

Questions

- 1. Which of these are properly chargeable to sales expense?
 - 2. Which are common to all sales departments?
- 3. To what extent does the nature of the business affect the inclusion or exclusion of the various items in selling expense?

PROBLEM 295

TOTAL SELLING EXPENSE

The Maxwell Company has operated a wholesale grocery business in Maxwell, Ohio, since 1909. In 1920 the company employed 30 salesmen, and its net sales amounted to \$2,735,621.38. Mr. Arthur Stubbs joined the company in 1910. He was promoted to sales manager on January 1, 1915, and has held that position for the past five and a half years.

During July, 1921, Mr. Stubbs received a bulletin issued by the Harvard Bureau of Business Research, Harvard University, that gave the results of a study of operating expenses in the wholesale grocery business in 1920. Upon examining this bulletin Mr. Stubbs found the following tables:

TABLE I

Operating Expenses in the Wholesale Grocery Business in 1920 by Federal Reserve Districts. Net Sales—100%

	Boston	New York	Phila- delphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco
Other Selling	0,05 0,05 1.9	$\begin{array}{c} 23 \\ 2.16 \\ 0.05 \\ 0.06 \\ 2.2 \end{array}$	$\begin{array}{c} 14 \\ 1.8 \\ 0.06 \\ 0.01 \\ 1.9 \end{array}$	$\begin{array}{c} 30 \\ 1.7\% \\ 0.01 \\ 0.03 \\ 1.8 \end{array}$	27 2.0°6 0.03 0.04 2.1	21 1.9° c 0.03 0.05 2.0	58 1.9% 0.04 0.05 2.0	33 2.5 % 0.05 0.06 2.6	23	35	11 2.1°6 0.03 0.04 2.2	$\begin{array}{c} 24 \\ 1.9\% \\ 0.05 \\ 0.07 \\ 2.0 \end{array}$
	1.4	1.1	1.5	1.2	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1
pings	0.05	0.09	0.03	0.05	0.05	0.02	0.05	0.06	0.06	0.03	0.01	0.03
	0.9	0.3	0.5	0.4	0.3	0.4	0.1	0.3	0.2	0.4	0.4	0.5
Total Receiving and Shipping.	2.4	1.5	2.0	1.7	1.1	1.5	1.6	1.4	1.3	1.6	1.5	1.6
Executive Salaries (In- cluding Buying) Office Salaries	$\frac{1.0}{0.6}$	1.0 0.7	1.1	0.8 0.7	0.8 0.8	1.1 0.8	0.9 0.8	0.9 0.9	0.9 0.8	$\frac{0.8}{0.8}$	$0.9 \\ 0.8$	0.7 0.8
Telephone & Telegraph Credit and Collection .	$0.2 \\ 0.01 \\ 0.02$	$0.2 \\ 0.03 \\ 0.03$	0.1 0.04 0.03	$\begin{array}{c} 0.2 \\ 0.03 \\ 0.02 \end{array}$	0.1 0.04 0.06	$\begin{array}{c} 0.2 \\ 0.04 \\ 0.05 \end{array}$	$\begin{array}{c} 0.2 \\ 0.01 \\ 0.05 \end{array}$	$\begin{array}{c} 0.2 \\ 0.05 \\ 0.04 \end{array}$	$\begin{array}{c} 0.2 \\ 0.05 \\ 0.01 \end{array}$	$\begin{array}{c} 0.2 \\ 0.04 \\ 0.03 \end{array}$	$\begin{array}{c} 0.2 \\ 0.04 \\ 0.04 \end{array}$	$\begin{array}{c} 0.2 \\ 0.06 \\ 0.03 \end{array}$
Other Buying & Management. Total ditto Rent. Taxes (except on buildings, income, and	0.05 2.0 0.4 0.06	0.1 2.1 0.1 0.07	0.06 2.2 0.5 0.06	0.03 1.8 0.3 0.05	0.1 1.9 0.3 0.01	$\begin{array}{c} 0.1 \\ 2.3 \\ 0.4 \\ 0.04 \end{array}$	$\begin{array}{c} 0.1 \\ 2.1 \\ 0.3 \\ 0.06 \end{array}$	0 2 2.3 0.3 0.01	$0.3 \\ 2.3 \\ 0.4 \\ 0.07$	$0.1 \\ 2.0 \\ 0.2 \\ 0.05$	$\begin{array}{c} 0.2 \\ 2.2 \\ 0.5 \\ 0.04 \end{array}$	$0.2 \\ 2.0 \\ 0.4 \\ 0.03$
profits)	0,3	0.1	0.1	0.2	0.3	0.3	0.2	0.3	0.4	0.4	0.3	0.4
Repairs of Equipment .	$\frac{0.2}{0.07}$	$\frac{0.1}{0.02}$	$\frac{0.2}{0.11}$	$\substack{0.2\\0.01}$	$\frac{0.2}{0.05}$	$\frac{0.2}{0.08}$	$\frac{0.2}{0.06}$	$\frac{0.2}{0.07}$	$0.1 \\ 0.07$	$0.2 \\ 0.05$	$\begin{array}{c} 0.2 \\ 0.02 \end{array}$	$0.1 \\ 0.03$
	$0.1 \\ 1.5$	$\frac{0.2}{1.5}$	0.3 1.5	$\begin{array}{c} 0.2 \\ 1.4 \end{array}$	$\frac{0.2}{1.6}$	$\frac{0.1}{1.6}$	$\frac{0.1}{1.5}$	$\frac{0.2}{1.5}$	$0.1 \\ 2.3$	$\frac{0.2}{1.9}$	$0.3 \\ 2.2$	$\begin{array}{c} 0.1 \\ 1.6 \end{array}$
	$\frac{2.6}{0.2}$ 0.2	$\begin{array}{c} 2.4 \\ 0.1 \\ 0.1 \\ 8.4 \end{array}$	2.8 0.6 0.2 9.7	$\begin{array}{c} 2.1 \\ 0.2 \\ 0.1 \\ 8.0 \end{array}$	2.7 0.3 0.2 8.6	$\begin{array}{c} 2.7 \\ 0.4 \\ 0.3 \\ 9.2 \end{array}$	$\begin{array}{c} 2.4 \\ 0.2 \\ 0.1 \\ 8.4 \end{array}$	$\begin{array}{c} 2.6 \\ 0.2 \\ 0.4 \\ 9.5 \end{array}$	3.5 0.3 0.3 10.3	$\begin{array}{c} 3 \ 0 \\ 0.2 \\ 0.2 \\ 9.7 \end{array}$	3.6 0.4 0.7 10.6	2.7 0.2 0.2 8.7

After reading the bulletin, Mr. Stubbs requested their head bookkeeper to draw up for him their total selling expense for the year 1920. He instructed the bookkeeper to include only those items shown on the standard profit and loss statement used by the Bureau in making its study.

The bookkeeper submitted the following table to Mr. Stubbs, stating that in accordance with the Bureau's method the percentages shown were based on net sales

as 100%.

Total sales force expense 4.56%
Advertising
Other selling
Total selling $\overline{4.76}$

Question

Would comparisons of the figures submitted by his bookkeeper with those published by the Bureau lead to any conclusions?

PROBLEM 296

FIGURING MARK-UP

C. F. Dunbar, the sales manager of the Johnsville Company, has received several complaints from his salesmen because of the gross profit that the company offers wholesale grocers. The Johnsville Company produces a breakfast food which is nationally advertised and distributed through a national selling organization.

Mr. Arthur Smith, one of the salesmen, has reported that three of his customers have stated that their average cost of doing business was 9% of net sales, and that the margin of profit allowed by the Johnsville Company was not sufficient. This salesman states that

he has told them that for every \$10,000 purchase they are making a gross profit of \$1,000, and that as their cost of doing business is 9% this leaves them a net profit of \$100 on every thousand dollars of their product The wholesalers have replied that Mr. nurchased. Smith is not figuring operating expenses and net profit on the same basis. They state that, when they use the expression "9" to do business," their percentage is based on net sales and not on cost of goods sold, or purchased. Mr. Smith says that he has pointed out to these wholesalers that the average turnover for their product is 20 times a year, and that when they are allowed a mark-up of 10^{e_0} with operating expenses of 9° they obtain a net profit of 20° a year. This the wholesalers have violently disputed, asserting that their net profit based on the percentage of sales remains the same irrespective of the rate of stock-turn. Mr. Smith has admitted to Mr. Dunbar that he cannot answer these arguments and has asked for advice. He wishes to know whether or not the arguments he has been using are sound.

Question

Has Mr. Smith correctly answered the points brought out by the wholesale customers?

PROBLEM 297

CONTROL IN THE WHOLESALE DRY GOODS BUSINESS

The Gibbs-Moore Dry Goods Company of New York is a jobbing house specializing in hosiery and underwear. Approximately 75% of sales are confined to the eastern states, while the balance is distributed throughout the entire United States. The organization is headed by the president, under whom are the treasurer, credit manager, sales manager, and 10 department managers.

Prior to 1921, each department manager had charge of the buying for his department, subject to the supervision of the treasurer and president. Each, however, was allowed almost free rein as to the quantities of goods purchased. In general, two distinct methods of purchasing were employed: 1. Orders for staple merchandise were placed far in advance of the season, as long as eight or nine months. This held true for such products as hosiery, underwear, and gloves. Further orders were made during the season as sales seemed to warrant. 2. Orders for goods affected by style changes were placed shortly before the beginning of the season and in quantities during the season. Past records and present tendencies were used as guides in buying this type of merchandise.

Though the company had the rudiments of a good system of coordinating purchases and sales, the methods had never been perfected, so that overstocks and shorts were of frequent occurrence. Upon examination, it appeared each buyer was allowed to use his own judgment in placing advance orders, with the result that these were sometimes too large for a season's needs. while the financial demands arising from these orders strained the company's credit. Furthermore, no satisfactory method of keeping inventory as to quantities, styles, sizes, and mills was in use so that in some cases shortages resulted, while in other instances inventory was left at the end of a season. In the absence of a statistical department the accounting department was depended upon to furnish such sales data as were needed. As a consequence, buyers experienced difficulty in ascertaining at any time the exact relation of sales to purchases.

When the buyers' market came in 1920 and sales fell very materially, the company found itself burdened at the end of the year with a heavy inventory, while its obligations were large. A reorganization became necessary.

Mr. James Henry, an executive trained in the dry goods business, took charge, and after a sarvey of the methods of the company made the following preliminary report to the board of directors:

A system of control for wholesale concerns must recognize the great responsibility of the buyers. Any system which is adopted must be kept in effect continuously if it is to be working at times when it is of particular service, and provision should be made to check both immediate and advance purchases. I recommend that the following suggestions should be worked out to apply to this business:

- 1. The executives should figure the gross business profit on the capital of the company. Annual sales should be four or five times the capital. That figure should be the limit, and total purchases should be governed thereby.
- 2. The executives should apportion sales to each department so that one department may not encroach upon the other. They should also divide purchases into spring and fall, advance and immediate. Provision should be made for cash to be available for immediate delivery purchases.
 - 3. Every order should be estimated before being sent.
- 4. Each department should have a plan to check quantities, styles, mills, etc., to avoid duplicate orders.
- 5. A statistical department should be established to collect and interpret data and to make periodical reports to the president and manager.
- 6. Deliveries should be arranged to accommodate finances. The burden of each month should be known and data should be available to show how far receipts will care for invoices.

Question

Would the installation of such a system solve the difficulties of the Gibbs-Moore Dry Goods Company?

PROBLEM 298

SALES CONTROL SYSTEM

The Swain Engineering Company, manufacturing a line of construction and road machinery, including industrial trucks, concrete mixers, excavating machines, et cetera, sells its product mainly direct to consumers through branch offices located in all the important centers of the United States.

In order to give more information to executives of the organization for control purposes, the following system of reports is suggested:

Sales Department Report No. 1

Graphic chart to be forwarded weekly to all members of the Swain Engineering Company, heads of other departments and executives by the General Sales Manager. This chart to show:

1st—Daily plotting of total sales for the current year.

2d—Daily plotting of total sales for preceding year.
 3d—Monthly plotting of total sales expense for current year.

4th—Monthly plotting of total sales expense for preceding year.

5th—Monthly tendency lines for each of above.

6th—Monthly tendency lines showing the relation of total sales expense to total sales for current year.

7th—The same for the preceding year.

Sales Department Report No. 2

A weekly report to be made by each home office department manager to the General Sales Manager showing for the respective departments:

1st—The total sales during the preceding week (both for the present and the preceding year) of equipment by items under the jurisdiction of the department, arranged by districts according to the Swain Engineering Company offices (export sales to be shown separately in one column and all other sales, such as agency, open territory, etc., to be grouped together in another column) giving both the number of items and the factory selling prices with totals for each district and for each item of equipment.

2d—Cancellations received during preceding week, specifying items of equipment and amount canceled

and reasons for cancellation.

NOTE: Department subdivisions to be shown if necessary.

NOTE: Report for week is due in General Sales Manager's office on Wednesday of the following week.

Sales Department Report No. 3

A monthly recapitulation of Sales Department Report No. 2 for the preceding month (except corrected) to be made by each home office department manager to the General Sales Manager.

NOTE: This report is due in General Sales Manager's office on the 5th of the following month.

NOTE: Department divisions to be shown, if necessary.

Sales Department Report No. 4

A monthly summary of information shown on Sales Department Report No. 3, with comparison with budget amounts, to be made and forwarded to executives, all sales department members, and heads of other departments by the 10th of the following month by the General Sales Manager.

Sales Department Report No. 5

A monthly report to be made by the Sales Accounting Department to the General Sales Manager of the expense of each district sales office and each home sales department, showing the following for the preceding month and accumulatively for the year:

1st—General Expense.

2d—Salaries (and Wages for Business Department).

3d—Traveling Expense, 4th—Office Rent.

5th—Warehouse Rent (for Business Department only).

6th—Office Fixtures and Supplies. 7th—Publicity and Advertising.

8th—Convention and Association Expense.

9th-Miscellaneous.

NOTE: If home office departments have divisions, expense shall be arranged accordingly, if necessary, compared with budget amounts for like periods.

NOTE: Sales overhead shall be pro-rated as determined. NOTE: This report is due in General Sales Manager's office by the 8th of the following month.

Sales Department Executives' Report No. 6

A monthly report to be made by the General Sales Manager to Homes Sales Department heads and District Office Managers, showing:

- 1st—Budget expense, amounts by items for month.
- 2d—The total expense by items of the Sales Department for the preceding month.
- 3d—The relationship of the total expense to the total volume of domestic sales for the preceding month.
- 4th—The budget items of expense for the month for a home sales department order office.
- 5th—The total expense by items of the same sales department or district office for the preceding month.
- 6th—The relationship of the expense of the department or office to its sales for preceding month.

Sales Department Report No. 7 Report of Adjustment of Complaint

(Date).....

- 1. Name of customer.
- 2. Home office address of customer.
- 3. Field office address of customer where equipment is located.
- 4. Name of person in customer's home office who made complaint.
- 5. Title of above.
- 6. Name of man in charge of job where equipment is located.
- 7. Title of above.
- 8. Name of man in charge of equipment complained of.
- 9. Résumé of complaint as made by customer.
- 10. Actual troubles as found by our inspector.
 11. Actual or theoretical cause of trouble.
- 11. Actual or theoretical cause of 12. How trouble was remedied.
- 13. If additional parts necessary to remedy, so state and accompany report with memorandum order covering same.
- 14. If services of shop man necessary to remedy mechanical defects or trouble caused by faulty design, so state and give full report in triplicate on separate report blank, stating actual condition of equipment, cause of trouble and suggested remedy. (This report will then be turned over to Production Division for necessary attention.)
- 15. Give total of expense of inspector, itemizing as follows:

Traveling.....

Hotel & Meals.....

Telephone & Telegraph.....

Incidentals.....

Repairs purchased

Sales Department Report No. 8 Report of Installation

(Date).....

- 1. Name of customer.
- 2. Home office address of customer.
- Field office address of customer where equipment is located.
- 4. Name of man in charge of job.
- 5. Name of man in charge of equipment.
- 6. Name of Master Mechanic on job.
- 7. Report condition of equipment as found by installation man.
- Report any breakages or damages to equipment; specify:
 - 1st -- Cause of damage.
 - 2d-Parts needed for replacement.
 - 3d-Send in order in duplicate for necessary parts, specifying:
 - (a) "No charge" and reason.
 - (b) "Charge" and reason.

If parts furnished "No charge" send express or freight receipt properly noted as to damage to enable us to enter claim against carrier.

- 9. Give estimate of time required to complete instal-
- 10. Give brief report on personnel at job so that we may obtain advance ideas as to trouble we will eventually run into with equipment on account of improper handling.
- 11. General remarks.....

Questions

- 1. Should the plan be adopted?
 - (a) Is it complete?
- 2. What reports are needed from salesmen and branch managers in order to carry out the plan?

	KEY TO BE USED IN F G-Grocery D-Drug DEPT.—Dept. J-Jobber	KEY TO BE USED IN REPORTING KIND OF STORE CALLED ON Co-forest D-brus DEPTDopt. J-Jobber		
	Left Hone or Hotel		THE CLEVELAND COMPANY BUFFALO, N. Y.	On the will be
	Last Call (Left)		DAILY SALES REPORT THIS REPORT must be filled out and mailed EACH DAY at the class of the day's work.	
Kind of Store	Nemes of Dealers	Town or City where possible gies Stast Address	Jobbers INTRODUCTORY ORDERS TO INDICATE BY X BRANK Name SOAP COMPLEXION WASHING	S ARE MADE Proof 1-dev
			100 100 CG Dong 100 100 100 100 100 100 100 100 100 10	3 00 3
	List Towns in the or Will work in	List Towns in the order in which they are to be worked and dates. k in	are to be worked and dates. Show eards distributed. State here other advertising timed On Soap Plants	If team bired to-day, state cost and reason for biring.
	3 3 3		CONFLEXION SOAP MASHINE POMOLE	. Cost
	Above informs	in the state of th	In the state of th	

Problem 299

CONTROL SYSTEM FOR GROCERY SPECIALTY COMPANY

The Cleveland Company manufactures a limited number of nationally advertised specialties in a line handled by all grocery stores and by many drug and department stores. The company sells through jobbers, but maintains a large sales force to push its product through sales to retailers, which are turned over to jobbers. The main sales office is located in New York; from this office are directed sales for the New York district, as well as for the entire country. In each of the seven divisions may be found one or more districts and several territories assigned to the individual salesmen.

The basis for the system of control of salesmen is found in two reports, which are required of each of the three types of salesmen. There are regular salesmen, who in many territories call upon grocery, drug, department store, and jobber trade. In the more densely settled districts special salesmen are assigned to the drug trade and to jobbers. The daily sales report required of all salesmen selling retail trade is illustrated on page 521:

The following is the town report:

			TOV	N RE	PORT	r					
Name of Town							State			Terri. No	·
Population		Gro		D-t	g		Misc.				
No. Calls Made	В,	0.	,	No.	Sold		-				
Water	Hard			Soft							
Started		AP KES		EXION DAP		HING		YE AP	TO1		
Finished	100	50	100	50	100		Gross	Dog	115	120	_
Jobbing Sales											
Retail Sales											_
Retail Stocked and Sold											
Intro. Orders							<u> </u>		<u> </u>		
Remarks	_										
Noted				Salea	man						

The original of each of the two reports is sent to the main office in New York, the copy being sent with the order to the division office. The division office then turns the orders over to the jobber as directed. daily town report is made the basis of a report summary. in which for each town worked is given the following information: date number of dealers solicited hours worked, number of calls, number of interviews, number of sales, with a recapitulation under the heading "Trade calls." number of dealers stocked and sold retail according to products, number of dealers sold retail including introductory and repeat sales by products, number of introductory sales retail by products. percentage brand distribution by products, number of standard cases sold by products, special deals by products. Each daily report summary contains the division, district, and sales territory, headquarters town, with the name of the salesmen and sales classifica-Separate lines are given to grocers, druggists, miscellaneous and jobbers.

The second report summary, based upon the daily sales report, contains a summary of the work of the various salesmen classified according to the types of trade—grocer, druggist, miscellaneous, and jobber. Regular salesmen, job salesmen and drug salesmen are grouped together. On each line are given the days and dates worked, number of trade calls, number of interviews, number of sales, number stocked and sold retail by products, number sold retail including introductory and repeat sales by products, number introductory sales retail by products, retail special deals. This information, as stated above, is given for each of the classes of customers visited.

Weekly a large sales summary sheet is filled out, giving for divisions, districts and territories the sales of each of the products for the current week, the corresponding week last year, the current quarter and the corresponding quarter last year. A quarterly condensed sales summary sheet is drawn up, giving the sales for each territory of the United States. From

the town report is drawn information for the card record of towns kept in the New York office.

Question

Outline the system of records which should be kept in the branch offices, and the records which the home office should keep to control district managers.

PROBLEM 300

Perpetual Inventory

The Summer Wholesale Grocery Company, located in Boston, has annual sales of approximately \$3,000,000. It has a large volume of business in staple and mediumprice groceries and an extensive business in approved brands of good quality. It imports large quantities of coffee, tea, and other foreign products. The company employs 15 salesmen and distributes its product throughout New England.

During the early part of 1920, because of the general depression in the trade, the company was purchasing only in small quantities and had been successful in greatly reducing its inventory. Because of its low inventory and method of purchasing, it frequently happened that orders from retailers would be held up, as the merchandise ordered would not be on hand. In many cases it required a week to replenish stocks, and a few instances occurred where deliveries were delayed three weeks.

Mr. John, the sales manager, had received numerous complaints from his customers because of the delay in shipment and made several protests to the executives about their policy in carrying such small stocks. The executives replied that their method of purchasing was absolutely essential during the period of depression that they were passing through and asked Mr. John for suggestions. After making a preliminary study of the problem Mr. John suggested that a perpetual inventory be kept for all lines carried and submitted the following form.

	Rec'd	2016	Balance	Dete	Ordered	Rec'd	Sold	Balance	Dete	Ordered	Rec'd	Sold	Balance	Dete	Drdered	Hac.q	Sold	Balanc
+	+	++	+	+	-	-	1			-		1	-		-		-	-
İ	- 1	++		t					Ì			+			-	1		i
		П				1 1111 1												
											- +			++	-			
							-		-		-	-		1	+			
																	Ш	L
		+-					+++	-				-			-			-
MUM S	тоск			-	OR	DER	WHEN		L.,			RU	SH ORD	ER W	HEN			-
	ICLE			S12	3.5		BR.	AND		ST	оск	UNIT	T	Quent	tity	Buildi	ng	Floor
			MUM STOCK								MUM STOCK ORDER WHEN	MUM STOCK ORDER WHEN	MUM STOCK ORDER WHEN RU	MUM STOCK ORDER WHEN RUSH ORD	MUM STOCK ORDER WHEN RUSH ORDER W	MUM STOCK ORDER WHEN RUSH ORDER WHEN	MUM STOCK ORDER WHEN RUSH ORDER WHEN	MUM STOCK ORDER WHEN RUSH ORDER WHEN

Questions

1. Would it have been practicable for the executives of the Sumner Wholesale Grocery Company to install a perpetual inventory?

2. If so, should the form submitted have been changed?

PROBLEM 301

Sales Control for Confectionery Manufacturer

The Mott Confectionery Company operates a factory at Boston, Mass. Its product is chocolate-covered confectionery. The sales department is in charge of the president. There are nine salesmen: six of them are combination salesmen, carrying non-competing lines, receiving 5% commission on sales and paying their own expenses; three are in the exclusive employ of

the company and are paid on the salary and commission basis. The combination salesmen do not send in reports, although at the end of each trip, a verbal report is given to the president. The three company salesmen make daily reports. The territories covered by these salesmen are as follows: (1) Maine; (2) New Hampshire and Vermont; (3) Massachusetts; (4) Connecticut and Rhode Island; (5) New York City; (6) New York State; (7) Philadelphia; (8) Western Pennsylvania; (9) Maryland, Virginia, and West Virginia. Divisions are determined by intensity of demand. The salesmen are controlled directly from the home office in Cambridge. The sales manager makes personal visits to each district.

There is no advertising department or appropriation. though some dealer helps consisting of show eards, banners and dummy boxes are distributed. The price of goods to the jobber is determined by adding the war tax of 5°_{0} , salesmen's commission of 5°_{0} , and the company's profit of 6% to cost of manufacturing the article. The price to the retailer is 20% above jobber's cost, and price to consumer is 30% above jobber's selling price. The company has never fixed retail prices of any article, although it does make up certain package confectionery to sell at a certain price. The sales manager is the sole judge of credits. The system is loose, with many small accounts. The terms are 2\% 10 days; net 30. The company is very lenient. The salesmen's reports are given much weight. Salesmen often make collections, although not compelled to do The company sells jobbers, retailers, and consumers. In New England, sales are made to retailers only. Outside New England, sales are principally to jobbers. No sales are made to the legitimate trade of the jobber. The company has granted exclusive agency rights to certain dealers located in Bronx, Newport. Concord (N. H.), three in Newark, and several in Maine. Annual sales amount to \$250,000, the bulk being in New York, Philadelphia, Maryland, and Massachusetts.

Due to financial difficulties late in 1920, the concern has come under the control of a new group of interests. These men plan to do away with the former old-fashioned methods. It is their desire to increase the sale of their product at least 50% to take up the excess capacity of the factory. It is felt that this will entail a considerable revision in both organization and methods of operation.

Questions

1. What matters have to be decided by the board of directors, in order that the sales manager may prepare a plan for securing the increase in business?

2. What features of a selling campaign are usually determined by the board of directors or president of

a corporation?

3. Outline a system of sales control, which will show the managers at any time the exact status of selling operations and results.

PROBLEM 302

CONTROL OF SALES BY SHOE MANUFACTURERS

The Sears Company, located at Lynn, Mass., manufactures women's fine shoes, the annual sales being approximately \$2,000,000. The factory has a daily capacity of 2,500 pairs. Since the style factor is important, the company is careful to have representatives in all shoe conventions to inspect displays of styles for the coming season. While the company gives considerable effort to developing new styles, it aims to follow a rather conservative policy and to adopt style changes which have been successful rather than to originate new styles.

The present sales organization consists of a general sales manager, two assistant sales managers, and a road force of 24 salesmen. The salesmen attempt to cover the entire United States, making two trips each year. Each of the salesmen is directly sponsible to the general sales manager, as are the three assistant sales managers Salesmen's territories are not clearly defined. It has been the custom of the sales manager to map out each year the semi-annual trips of each salesman. The same route is generally followed from year to year. All salesmen are paid on a strictly commission basis. No expense is allowed, with the exception of railway fares, which are paid in order to equalize the expenses of salesmen in various parts of the country. The company has not required the salesman to make a special report to the general sales manager upon his return from a trip giving his impressions as to market conditions in his territories, his ideas as to sales possibilities, and facts and opinions as to the retailers to whom he has sold goods. The salesman is practically his own master while on the road, receiving few instructions from the home office and making no reports until the trip is completed. In the opinion of the sales manager, the company in the past has considered that the amount of a traveler's sales was sufficient report of how the salesman was getting along and sufficient indication of the conditions in his territory. The officials of the company realize that they do not obtain the best results possible from the territory covered.

No advertising department is maintained. The company officials prepare the advertising copy in conference. No plan is followed in advertising, apparently the only idea being to have the name of the company appear in the trade journals from time to time. No definite amount is appropriated for advertising and no attempt is made to check the results. The company issues a catalog to the retail trade, which is sent to all its customers and to prospects whose names are obtained through various agencies.

The company sells to retailers only, but does not follow the exclusive agency plan, preferring to sell to all reputable dealers who will handle its goods. These retailers order the bulk of their goods at the semi-annual calls of the salesmen, sending in reorders after the season opens.

Question

Outline a system for control of traveling salesmen, which will give information needed by the sales manager in order to properly direct sales.

Problem 303 Sales Records

The Davis Company manufactures a line of clocks which it sells through jobbers throughout the United States.

In the sales department the following records are kept: route lists, showing route, location, and dates of salesmen; sales quotas of salesmen, with records of past performances; copies of bulletins issued; efficiency of salesmen; inquiries and quotations for follow-up uses; advertising program; card file of "A" distributors; card file of "A" distributors; mailing-list as agreed upon; monthly report to general manager as to sales efficiency compared with sales expenses; scrap book of firm's advertisements; scrap book of circulars, booklets, inserts; scrap book of competitors' advertisements; scrap book of competitors' advertisements; scrap book of competitors' clocks compared with firm's; record of electros on order, in stock, with customers or printer, who and what; record where salesmen's checks and mail are sent daily; and from the

salesmen's records of customers and prospective customers, goods interested in or used, name and type of buyers, hobby of buyer.

Question

What other records are needed for complete control of sales operations?

PROBLEM 304

Administrative Control of Sales Department— Budget System

From the view-point of both business man and economist, that enterprise is most successful which most efficiently coordinates its functions of production or purchase of goods, distribution, and financing. meanwhile properly maintaining and adapting plant and equipment. As a business increases in size, the difficulty of coordination of these operations is increased. Among the methods used by administrators and executives for effecting coordination is the budget system. The budget system requires good records of sales, production, and finance, a knowledge of the market, and much judgment as to trend of business conditions during the period for which the budget is to be made. But it is claimed that the budget gives a degree of control and definiteness in planning which cannot be secured otherwise.

The budget system, as applied to business concerns, usually takes the sales budget as the starting point. Upon the estimates of possible sales hinge the estimates of production, the planning of new plant and equipment, the internal financing operations, and possible increase of working capital. In estimating sales for a future period, the length of which is determined by the nature of the business and general conditions, the first

step is usually an analysis of past sales by territories, products, terms, periods of year. Upon these are based estimates of ensuing period sales, weight being given to various factors, such as policies of the concern, general conditions in territory, trend of demand for particular product, capacity of sales department to dispose of goods, etc. During each budget period, final budget estimates are revised upon the basis of actual performance so as to provide currently for correction of errors of judgment. The sales estimates are committed to the production department, financial estimates are prepared, and administrative officers issue the master budget.

The Walworth Manufacturing Company, in its application of a budget system, found that the size of its line rendered the preparation of sales and production estimates very burdensome. In the words of the president of the company, in an address to the Taylor Society:

We have picked out of our vast line of some twentythree thousand different finished items six hundred which we consider as "significant." That list of six hundred was worked over by all our departments. Our original thought was that we could pick out five hundred items as a test, but as we found it was absolutely impossible to confine ourselves to five hundred the list was expanded to six hundred. This list was made with the help of all departments of our business—sales, production, and financial. We are using that list as the basis of our sales and production campaign. It is the foundation of our budget system. We are asking each one of our merchandising units to use those six hundred significant items as the basis of their sales estimate for the first quarter of 1921. To do this they must study their own businesses in detail. It gives them an opportunity to really learn their business and has made them realize how few of the many thousand items we carry have an economical furnover.

The sales estimates so arrived at are in turn submitted to the Home Office and after proper revision and consolidation are made the basis on which we predicate our production program and our finance program. That is a detail of the whole greater budget system which we are working out, the one of first finding out our trade requirements, then keying those into our own production ability, basing our financing program on the result, and sometimes finding that it is impossible to finance the result and therefore mending our program to suit our finances.

Questions

- 1. Should a budget control system in the Walworth Manufacturing Company materially affect the organization or methods of operation of the sales department?
- 2. Is a budget system desirable from the sales manager's point of view?
 - 3. What are the weaknesses of the sales budget?

PART VIII FINANCING OF SALES



PART VIII

FINANCING OF SALES

OUTLINE

- A. Capital Requirements for Financing Sales.
 - 1. Amount necessary depending upon

(a) Volume of sales.

- (b) Length of period between receipt of goods by sales department and collection of payment after sales.
- 2. Sources of funds for financing sales.
 - (a) Working capital of concern.

(b) Bank loans.

- (c) Current sales, discounting acceptances, notes, etc., borrowing on book accounts.
- B. Terms of Sale; Relation to Financing.

1. Customary terms of trade.

- 2. Determining length of credit term for specific enterprise and specific customers.
- C. Management of Credit.

1. Credit granting; bases and methods.

- 2. Control of credits and coordination with sales activities.
- 3. Collections and outstandings; collection methods from view-point of development of sales and good will.
- D. Special Methods of Financing Sales.
 - 1. Finance companies in the automobile trade.
 - 2. Other methods.

GENERAL QUESTIONS*

A. Capital Requirements for Financing Sales.

What amount of working capital is necessary to finance a given volume of sales under given conditions? What are the sources of funds for financing sales? To what extent should the control of sales financing be dissociated from the sales department?

B. Terms of Sale; Relation to Financing.

What methods should be adopted for handling credit accounts? Should terms be rigidly observed? How should the length of credit terms be determined for a particular plant?

C. Management of Credit.

What methods should be adopted of coordinating the work of the credit department and of the sales department in passing upon applications for credit? How can collections be managed without affecting sales adversely? Under what conditions will credit outstanding affect sales activity?

D. Special Methods of Financing Sales.

How are sales which require considerable cutlay on the part of the buyer financed so as to broaden the market? What are the advantages and disadvantages of the consignment method? What are the advantages and disadvantages of instalment selling from the view-point of the manufacturer?

*No single publication contains reference to all the aspects of financial management as related to sales operations. The general works upon marketing have chapters upon the role of financing in distribution; for instance, C. S. Duncan, Marketing: Its Problems and Methods, Chapter XH; P. T. Cherington, Elements of Marketing, Chapter IX. Treatises upon corporation finance usually deal with certain phases of the financing of sales in connection with working capital; cf. A. S. Dewing, The Financial Policy of Corporations, Volume 111, Chapter III, and Volume IV, Chapter VII; Joseph M. Regan, Financing of Business. For an extended list of references on problems in industrial finance as related to sales, cf. E. E. Lincoln, Problems in Industrial Finance. Upon administration of credifs, cf. J. E. Hagerty, Mercantile Credit; J. A. Meyer, Mercantile Credits and Collections; Eltinger and Golieb, Credits and Collections; Blanton, Credit: Its Principles and Practice; A. W. Shaw Company, Credits, Collections, and Finance. Upon acceptances, consult Park Mathewson, Acceptances: Trade and Bankers'; publications of the American Acceptance Council; numerous pamphlets issued by banks and other financial institutions; and numerous articles in the financial and trade press.

Problem 305

Relation of Sales Methods to Amount of Working Capital Required

In the endeavor to establish standards of operating and financial practice certain relations and ratios have been set up by general consent as having some significance. While these standards are by no means established as correct, they are of assistance in judging the soundness of financial policies. The Harvard Bureau of Business Research has endeavored to develop standards in retailing for the percentage of cost in comparison with the gross sales of the business. manufacturing corporations, bankers have been accustomed to look upon the ratio of liquid assets to current liabilities as a test of the ability to meet obligations promptly; and, in many cases, the ratio of two to one has been set up as a desirable one. The experience of the past few years has shown that this ratio has by no means universal significance and that standards must be established not only for industrial corporations, but also for particular industries. The variations between textile, steel, and other industries are so marked as to require different standards.

A test, which is sometimes applied by financial men to corporations, is the relation of working capital to total capital. An examination of important corporations shows a wide variation in percentage. The following table illustrates the point:

RATIO OF WORKING CAPITAL TO TOTAL CAPITAL

in Selected Corporations*
*Cuba Cane Sugar Company 3 %
California Petroleum Corporation 3.9%
American Ice Company
Pittsburgh Coal Company10.7%
*Railway Steel Spring Company11.3%
*Mexican Petroleum Company
New York Air Brake Company
- American Writing Paper Company 15.1_{20}^{cr}
*American Linseed Company17.1%

^{*}Based upon 1918 figures—Moody's Manual. All others based on 1919 statements in Moody's Manual, 1920.

General Chemical Company	.17.2%
United Fruit Company	.17.3%
Pressed Steel Car Company	.17.8%
American Cyanamid Company	.17.9%
United States Steel Corporation	.21.8%
Lackawanna Steel Company	.22.3%
Aeolin Weber Piano and Pianola Company	23.4%
F. W. Woolworth Company	23.4%
National Biscuit Company	23.9%
Loose-Wiles Biscuit Company	25.3%
American Fabrics Company	27.2%
Kresge Company	27 2%
American Chiele Company	27.8%
Sears, Roebuck Company	27 9%
National Lead Company	
Cambria Steel Company	
Morrison Company	
American Sugar Refining Company	30.0%
American Hide and Leather Company	31.8%
United Shoe Machinery	34 1%
American Steel Foundries	34 30%
Garfield Worsted Mills.	35 10%
Armour and Company	35 30%
Crex Carpet Company	
Swift and Company	
Baldwin Locomotive Works	27 407
American Tobacco Company	
Underwood Typewriter Company	20.470
Arlington Mills.	20.507
Deere and Company	11 707
United States Rubber Company	49.907
Eastern Manufacturing Company	
American Woolen Company	44.4%
Westinghouse Air Brake Company	.44.4%
Diamond Match Company	.40.5%
Kelley-Springfield Tire Company	.48.5%
Saco-Lowell Mills	.51.7%
International Harvester Company	. 58.6%
Central Leather Company	.64.4%

Question

To what extent is this variation in ratio due to sales policies and sales methods?

PROBLEM 306

RELATION OF SALES METHODS TO OPERATING RATIO

An index of efficiency which has been used particularly in connection with railroads is the operating ratio; that is, the percentage of total expense of running the business (including manufacturing, selling, and administration) to the gross sales. The gross profit on sales is evidently represented by the difference between 100%, representing gross sales, and the operating ratio. The application of this test to certain industrials brings the following results:

RATIO 1. = $\frac{\text{TOTAL} \quad \text{EXPENSE}}{\text{GROSS} \quad \text{EARNINGS}}$

*Mexican Petroleum Company	55 GOZ
*Poilway Steel Spring Company	BB 207
*Railway Steel Spring Company	.00.070 co.007
American Fabrics Company	. 69.2%
California Petroleum Company	.72.4%
Garfield Worsted Mills	.77.4%
American Cyanamid Company	.77.5%
*Lackawanna Steel Company	.78.1%
*New York Air Brake Company	
American Steel Foundries	
American Ice Company	.84.7%
United States Steel Corporation	.87.2%
Pittsburgh Coal Company	
Central Leather Company	.88. %
American Tobacco Company	.88.9%
Arlington Mills	.89. $\%$
Sears, Roebuck Company	. 89.3%
American Hide and Leather Company	.90.2%
F. W. Woolworth Company	.91.4%
United States Rubber Company	.92.1%
Eastern Manufacturing Company	.92.5%
American Express Company	.92.9%
Cuba Cane Sugar Company	
Baldwin Locomotive Works	.94.5%
Kresge Company	

^{1.} In expense has been included the operating, administrative, and selling expense including depreciation, interest, and taxes. No uniform method of reporting financial statements has been adopted, so that interpretation had to be resorted to in many cases. The ratios may be taken as only approximately correct.

^{*}Based upon 1918 figures—Moody's Manual. All others based on 1919 statements—Moody's Manual, 1920.

Armour and Company				 	9	6.1%
American Writing Paper Company	<i>.</i>			 	9	7.3%
Pressed Steel Car Company.		 		 	9	7.5%
Swift and Company.				 	9	8.9%

Question

To what extent do sales policies and sales methods affect the operating ratio?

PROBLEM 307

Prepaying Freight to Branch Houses

The Randolph-Wellburn Company is engaged in the manufacture of hand, circular and band saws, machine knives, files, and a few specialties such as eigar cutters. The number of styles in the company's line reaches an aggregate of approximately 30,000 numbers. The product is distributed through seven branches located at New York, Pittsburgh, New Orleans, Portland (Oregon), San Francisco, St. Louis, and Memphis. The company's main office is at Worcester, where it has two factories. It also operates a factory in Chicago, and a steel mill at Buffalo.

The branches sell direct to retail stores and also to the larger consumers of the Randolph-Wellburn Company's product. The salesmen that call upon the individual consumers also carry a line of mill supplies which are purchased direct from manufacturers and carried in stock by each branch house.

The home office sells to the branch offices at wholesale prices, and the branches function as separate wholesale establishments. They are expected to show a profit. Their retail selling price, however, is fixed by the home office by so-called list prices which are presented in catalog form. Because of lower freight rates and keener competition in the East, the branches located in that section of the country are allowed to give larger trade discount than the branches on the Pacific coast.

The accounting for these branches is all done at the home office, each branch having but one bookkeeper. The home office sends to each branch one check to cover the monthly payroll. Each branch is allowed a petty cash account varying from \$500 to \$3,000, depending upon the size of the branch, and from this account all petty cash expenses are met for bills that amount to less than \$100. All bills amounting to more than \$100, except rent, are approved by the branch office managers and forwarded to the home office for payment.

In the fall of 1920, the general sales manager made a careful study of freight charges from the factory to the different branches. He found that the charges for the eastern branches averaged 2% of the list selling price of the products as published in the company's catalog, and for the western branches, 5% of the list prices. As a result of this investigation the general sales manager recommended that the home office pay all freight on shipments from the factory to the branches, and that a flat rate of 2% to the eastern branches and 5% to the western branches be added to the wholesale prices of the different products sold to the branches. All lines purchased from other manufacturers, such as mill supplies, would be paid for by each branch house as had been done in the past.

Question

Should the sales manager's recommendation have been adopted?

PROBLEM 308

TRADE ACCEPTANCES

The treasurer of a large corporation, which refines and sells various metals, writes regarding the use of acceptances and terms of sale:

The general rule is to draw "sight" or "arrival" drafts on the customer with bill of lading attached. There are many exceptions to this rule, but payment is expected and received in "10 days from date of shipment," "30 days from date of shipment" or on 'the arrival of the merchandise."

As a rule, there is no such thing as "open account business," for usually metals are shipped on "order" bills of lading, so that we retain control until payment is made.

In the few cases when we have used trade acceptances, there has been a special reason for so doing. Generally, the customer has requested this procedure and we have been willing to meet his wishes. The very limited experience which we have had with trade acceptances has been satisfactory.

We have given some consideration to the feasibility of drawing on our customers at the time when their orders have been placed, when they call for future shipments; but this has never been put into practice. If it were done, it would be simply a matter of facilitating our own financing, and we have never been in a position to need to adopt this method.

My own feeling regarding these trade acceptances is that this instrument is useful only where cash discounts are offered and not taken. A concern, which does not take cash discounts, is financing itself in a very expensive way and its credit position is open to considerable question.

I believe that the trade acceptances serve many good purposes, but I hope we shall not see the time when they will be generally adopted in the wholesale metal business. The bank acceptance is a far superior instrument and it can and should be made to serve in many cases where the trade acceptance is now used.

Again, I am speaking from the point of view of wholesale business where individual sales run almost entirely to very large figures. To a very large extent, however, the same applies to smaller transactions.

Any customer is closer to his own bank than he can possibly be to his supplier. He should finance himself according to the means at his disposal locally and not place this burden on his supplier. Obviously, when we are in a "buyer's market," the buyer can assert his advantage and force his supplier to meet his wishes.

Question

Is the validity of this argument confined to the wholesale metal business?

On the other hand, a manufacturer of machinery and tools, whose goods are sold throughout the United States and in foreign countries, has used the trade acceptance in his business ever since the plan was inaugurated and claims to have done everything in his power to encourage its use with customers. According to his statement:

We sell to various trades in this country, including consumers, dealers, jobbers, manufacturers, railroads and governments, together with a large foreign trade; consequently, conditions necessarily differ in the terms that we use affecting these different trades. Our regular terms are net thirty days on open account and we do not offer cash discounts. We use trade acceptances largely with our machinery sales and believe that this form of settlement fits in very conveniently with a machinery business.

In order to encourage the development of trade acceptances with our trade, we have allowed slightly longer time when trade acceptances are given and we generally draw on a forty-five day basis. We feel, however, that when a customer pays very promptly within thirty days, there is no real advantage in a trade acceptance and that the latter form works out better on a sixty or ninety-day basis. We have always maintained very close terms, and for that reason we limit the time we offer on an acceptance basis to forty-five days.

During the past year we have handled over one thousand different transactions on an acceptance basis, which represents approximately 66% of the number of acceptances that we submitted with invoices to our customers for acceptance,

and which also will represent about the same percentage in the amount in dollars and cents; and which is about 25% of our total sales—the latter constituting several million dollars; or, in other words, one-third of acceptances returned as declined.

We find that our customers are gradually becoming more favorable to the use of trade acceptances and we have very little difficulty at the present time in obtaining the return acceptance duly signed. There are certain concerns, of course, that will not use them owing to their accounting methods and others through a misunderstanding feel that it is a reflection on their credit. We always explain, in such cases, that giving acceptances is a favorable indication of the standing of a concern and we consider such customers very desirable.

We believe the trade acceptance has come to stay and that eventually it will become more in use and that many of the objections that are now raised against them will disappear. We also have encouraged a market for acceptances with our local banks by offering them for sale and we find that our local banking institutions are gradually becoming favorable to them as an investment and eagerly seek them.

Questions

- 1. Should the wholesale dry goods concern described in Problem 309 use trade acceptances?
 - 2. The Automotive Sales Company of Problem 325?

PROBLEM 309 TERMS OF SALE

The Roanoke Wholesale Dry Goods Company, of New York, a large concern specializing on piece goods, covers the entire United States in its distribution. Purchases of this company have for years been limited largely to a few firms acting as selling agents for northern and southern mills.

The financing of the Roanoke Company and the general methods of doing business are greatly affected

by the terms of sale which it procures from the textile agents. Prior to the war, the terms obtained on season, finished cotton goods were usually $2\frac{e^{-}}{0}$ -10 days with season datings of April 1 and October 1. On staples and season goods purchased between seasons the terms were $2\frac{e_0}{10}$ days, 60 days extra. Anticipation was usually permitted at the rate of $6\frac{c}{c}$ per annum. These terms applied to the greater variety of goods, though certain products bore other terms than these. On woolen and worsted piece goods the terms allowed were uniformly 10%-10, 9%-30, 8%-60, 7%-4 months, with season datings of June 30 and December 31. In this case the season dating did not lengthen the terms as much as it would seem to, for deliveries were not made immediately after the mill's selling season, but rather were adjusted to the Roanoke Company's needs. Anticipation was generally permitted at 6% per amum.

During the war and for some time afterwards the terms of sale were materially shortened on cotton goods; post datings were eliminated. Upon the woolen goods and worsteds the terms were reduced to net-10, or net-30 days, e. o. m.

Mr. James E. Pennock, president of the Roanoke Company, instructed his buyers in making their purchases for the spring season of 1921 to accept only those terms which the company had always been getting prior to the war.

Questions

1. Should the agents have granted the request made upon them?

- 2. What would have been the effect of a general lengthening of the terms by the selling agents upon the business operations of
 - (a) The selling agents.
 - (b) The Roanoke Company.
 - (c) Small jobbers.
 - (d) Retailers.
- 3. Why were terms shortened in these lines during the war period?

PROBLEM 310

Interest Charged on Past-Due Accounts

Hopkins, Sutcliff & Company is a selling organization, distributing cotton piece goods. The company sells the product of three factories which it owns and controls; in addition, it handles the sales of five other cotton-manufacturing companies. The company distributes all its lines direct to jobbers.

On January 1, 1920, it had standardized the cash discount offered and placed it on a 2-10-60 basis. In other words, bills paid within 10 days received a 2% cash discount; the net terms were really 70 days. It allowed 6% interest on all prepayments. For the 10 years previous, this company, in cooperation with the other leading selling organizations of piece goods, has endeavored to eliminate the so-called inside prices that have been offered. During the war the seller's market that existed enabled them to standardize terms as outlined above.

Mr. Malcolm McDonald, senior salesman of Hopkins, Sutcliff & Company, on October 1, 1920, found that one of their large competitors was charging 6% interest on bills that were not paid within 70 days of dating. This his company had not been doing, as it believed in cases where a bill was overdue that the main endeavor should be to get the bill paid and then consider whether or not it should continue to sell such a retailer.

Question

Should Hopkins, Sutcliff & Company have charged interest at the rate of $6e_{\ell}^{*}$ on all bills not paid within 70 days of dating?

PROBLEM 311 HANDLING CREDITS

(a) The following instructions were addressed recently by a credit manager "to all employees of the credit office."*

All accounts thirty days past due amounting to \$500 or more are to be referred to the credit manager.

Reopened accounts and new accounts due to changed business conditions throughout the world must be considered under the same category. All such accounts should receive attention in the following manner:

Discover "the motive of the order"; that is, why the order was tendered, was it the result of salesmanship, good-will or advertising? If convinced that the order came in the natural course of business, proceed to gather credit data as usual.

Financial statements must reveal from your analysis whether there has been an over-investment of funds in buildings, steel and merchandise.

Furthermore, the credit office must know definitely whether the merchandise values as they appear in the statements are taken at prices in conformity with the best practice, which is market price if lower than cost price, cost price if cost is lower than market.

Inasmuch as approximately every business house in the country has a largely increased overhead which includes wages, salaries, taxes, telephone, upkeep of new buildings, etc., it shall be the practice of this office from this date, before extending any considerable new credit to old customers or credit to new customers, to learn and know definitely.

Whether or not the customer has trimmed his pay roll, curtailed his overhead, and brought within reasonable bounds his entire expenditures so that his loss if any for the ensuing year will be minimized. Our investigators should take nothing for granted.

Inasmuch as up-to-date credit information is valuable in determining the quality of a credit applicant, it shall be the policy hereafter.

To use more liberally the interchange bureaus throughout the country, so that instantaneous reports of customers' present indebtedness may be known. If ever up-to-date information was worth anything, it is worth far more to-day.

Newspapers and trade papers are filled with news items concerning the financial affairs of many of our customers.

^{*}Printers' Ink, April 21, 1921.

Some speak of reduced payrolls, shutting down of plants, working part time, reorganizations, extensions, receiverships, etc. The clipping department is therefore urged:

To follow more closely its work and incorporate the clippings in the commercial report folder; further

In order that an intelligent understanding of the customers' advertising methods may be available, it is requested that advertising in the trade papers and newspapers showing the class of goods offered for sale be attached and made part of the commercial report.

It has been the practice of this office to record on cards, folders, etc., data concerning the credit responsibility of our customers. In order to prevent any possibility of errors of judgment, it shall be the practice of the office hereafter:

To present only the original information for consideration, so that a decision may be made with that in full view; and it follows that orders are to be certified as to credit with the Commercial Report Folder, the Customer's Ledger Sheet and the Collection Correspondence; also in full view when the judgment whether to ship or not to ship is being made.

Question

Are the instructions here given applicable only to periods of uncertainty and depression?

(b) A large order has been received by a producer of condensed milk from a wholesale grocery concern operating a chain of 12 wholesale grocery stores. The financial statement of the company as of July 1, 1921, seems to warrant granting the credit requested, though there was some doubt as to the item of receivables. It was suggested to the credit manager that the record of collections and outstandings might be of service. It is learned upon inquiry that the outstandings of the various houses in the chain were as follows on July 1, 1921, as compared to July 1, 1920:

		1	2	3	4	5	6	7	8	9	10	11	12
July 1,	1920 Per cer	it 28	33	45	49	52	55	60	63	64	65	68	101
July 1,	4921 Per cei	it 40	40	46	53	55	60	63	66	78	79	71	90

Question

Does this record assist the Credit Manager in deciding upon the credit application?

PROBLEM 312

HANDLING CREDIT APPLICATIONS

The Oakdale Wholesale Grocery Company, located in New York State, had for the most part confined its efforts to selling to retail stores in cities of 150,000 or over in the surrounding territory. During the latter part of 1918 the executives of the company decided that it would be advisable to spread out and distribute their product in the smaller cities. Accordingly, the sales districts were reorganized and new salesmen were taken on.

F. G. Barker, one of the new salesmen, on January 10, 1919, sent in an order for \$500 which he had received from a retail grocer in a town of \$,000 population in the northern part of New York. This was the first order that had been received from Mr. Barker, and the retail account was a new one for the Oakdale Wholesale Grocery Company. The following statement was submitted by Mr. Barker with the order.

Financial Statement, Year Ending December 31, 1918

A

Troprimise

ASSETS	LHADILITIES
Cash on hand\$ 425.17	Accounts Payable . \$2,805.31
Accounts Receivable 5,910.03	Bills Payable 19,321.19
Merch. Inventory 16,221.41	
Equipment Inv'tory 1,003.20	Balance 1,433.31
\$23,559.81	\$23,559.81

Mr. Barker reported that the annual sales of this retail grocer were about \$76,000 and that he estimated the retailer took approximately one-fourth of the cash discounts offered him. He reported that so far as he was able to find out the retailer was buying from about eight wholesale grocers and making occasional scattered purchases from a few others, that approximately 6% of the business was on a credit basis, and that the stockturn amounted to about 3.8 times a year. He stated that the gross profit of the company was in the neighborhood of 17% and the total expense 14.5% for the year 1948. The town in which this store is located is in a prosperous district, and the owner has a high standing among the merchants in the town.

Question

Should this sale have been approved?

Problem 313 Financing Sales of Automobiles

In the automobile trade there has been a general tendency on the part of manufacturers to dispense with jobbers and to build their sales organizations more or less on the basis of selling contracts with automobile dealers. In this way, manufacturers are able to maintain control over the source of outlet for their products. Dealers are given selling agreement covering stipulated territory. They are required to execute a contract based as accurately as possible on the potential business in their territory, and to purchase a certain number of cars a year. The contract figures vary from a few cars to several hundred. Discounts vary with the number of cars, a dealer contracting for 100 cars having the advantage of a larger discount than the dealer who sells only 25 cars a year.

On the basis of prevailing terms the automobile dealer must pay cash for the cars when they are delivered to him; and with his knowledge of potential business, the dealer is able to estimate the amount of capital he will require to finance the purchase of cars to fill his selling contract. Since manufacturers load their product f. o. b. factory in most instances, considerable capital may be required for one shipment of cars plus loading or decking charges and taxes, and less the stipulated discount. In the majority of cases the dealer is either unable or unwilling to finance his entire sales unaided by outside capital. His problem is, therefore, to get the necessary capital upon the best possible terms. Local bankers are very often the source of this capital.

There are times when bankers cannot finance automobile dealers or there are times when they refuse to do it for reasons that reflect in no way upon the dealer as a credit risk. At such times the dealer may occasionally turn to finance corporations formed primarily for the purpose of financing the automobile trade, both in sales to consumers and purchases by dealers. These finance corporations ordinarily loan funds to dealers and through dealers to users upon the basis of conditional sales or warehouse certificates at rates commonly higher than the prevailing interest rate.

The General Motors Corporation has its own subsidiary acceptance corporation. Just as it finances the purchase of cars to purchasers at retail, the General Motors Acceptance Corporation assists dealers to purchase wholesale stocks. This assistance may be given in two forms: The dealer may secure control of the cars he purchases and display them on his own account; or he may store them in a licensed warehouse under pledged receipts, but before he can sell any car in the shipment, he must make payment to the full amount of credit on that particular car to the bank appointed to handle the matter for the General Motors Acceptance Corporation. Here is the plan as outlined:

Terms and Rates Maximum Time Six Months

Where Motor Vehicles are Stored	Cash Down Payment	Amount Financed	Charge*	Perfor- mance Bonus	
$\begin{array}{cccc} \text{Public} & \text{$10^{C_{\ell}}$ of} & 90^{C_{\ell}}$ of} \\ \text{Licensed} & \text{Invoice} & \text{Invoice} \\ \text{Warehouse} & \text{Price} & \text{Price} \end{array}$		1/30 of $1_{co}^{\prime\prime}$ of amount for each day accommodation is used $(1_{co}^{\prime\prime})$ per month).*	1/30 of 1% of amount paid before maturity for each day accommodation is not used.		
Consignee's Floor or Under His Control	15% of Invoice Price	85% of Invoice Price	1/30 of 1% of amount for each day accommodation is used (1% per month), plus initial charge of 1%*		

*Charge includes:

Interest to Maturity.

Fire and Transportation Insurance for Consignee's Full Price of Cars. Trade Acceptances and Notes must be drawn for integral months. Bank's Fee.

Fidelity Bond. Exchange Charges.

Invoice Price:

Includes consignee's price of ear, taxes; extras, if desired; freight, if prepaid by shipper. If freight is paid to railroad by consignee and is equal to or more than the required cash-down payment, arrangements can be made with G. M. A. C. to consider the freight disbursement as the required cash-down payment, making amount financed the net invoice price of the vehicles.

The maximum time for this financing is six months. This is allowed only during that part of the year covered by the winter months. The effect of limiting the time is to insure, as far as possible, that the dealer will make every effort to dispose of his cars within the time limit.

Questions

Could this plan be used successfully by a manufacturer of

- (a) Phonographs;
- (b) Pianos;
- (c) Electric washing machines;
- (d) Household furnaces?

PROBLEM 314

DEFERRED PAYMENT PLAN

The Shepley Company (see Problem Number 161) issued the following announcement January 1, 1921:

The Shepley Company, aware of the unusual conditions now obtaining, presents a deferred payment plan to prospective purchasers, both dealer and user, on the basis of approximately one-third cash and the balance evidenced by notes under the following conditions:

Note signed by dealer is to cover specific tractor, identified by serial number and is to be in uniform amount of \$1,100.00 on each XY model and is to mature six months from date of shipment. The balance of purchase price to be paid in cash and variations in the cash payment will arise through graduation of discounts based on quantity.

DEALER:

(Example)

Retail price XY tractor f. o. b. Factory\$2,150.00
Dealer's net cost allowing 20% discount 1,720.00
Cash from Dealer \$ 620.00
Note
\$1,720.00

The deferred payments of user shall be evidenced by two notes, preferably for equal amounts, and recommended by the bank at which the notes are payable, the last of which shall mature not later than 10 months.

USER:

(Example)

Retail price XY tractor f. o. b. Fac	tory\$2,150.00
Cash from User	
1st note	650.00
2d note	650.00
	\$2,150.00

The Dealer will be furnished forms of note to be signed by the user in favor of the dealer, which are then to be endorsed by the dealer to the Company.

It will be observed in the above example that notes on XY tractor will never total an amount exceeding \$1,300.00. This maximum amount is \$200.00 in excess of the dealer's note held by the Company and represents part of the dealer's commission which remains unpaid until the user's notes are paid in full as assurance that dealer will not lose interest in their collection.

Receipt by the Company of user's notes endorsed by the dealer will automatically cancel dealer's note to the Company on the same tractor, which will be returned to the dealer together with "a commission credit certificate" in the amount of \$200.00 due when user's notes are paid. At the same time user's first note is paid in full, including interest, dealer will receive a check from the Company for \$100.00 with interest. The same procedure will be followed when user's second note is paid in full, which transaction will complete payment of dealer's full commission.

Notes signed by dealer, as well as notes signed by user. are to bear the current rate of interest in the respective states and are to mature at dates dictated by individual circumstances, but not to exceed the maximum period as stated above

Questions

- 1. What are the advantages and disadvantages of this deferred payment plan
 - (a) For the company:
 - (b) For the dealer?
- 2. Under what conditions can and should a company adopt such a plan?

PROBLEM 315

FINANCING SALES OF MOTOR TRUCKS

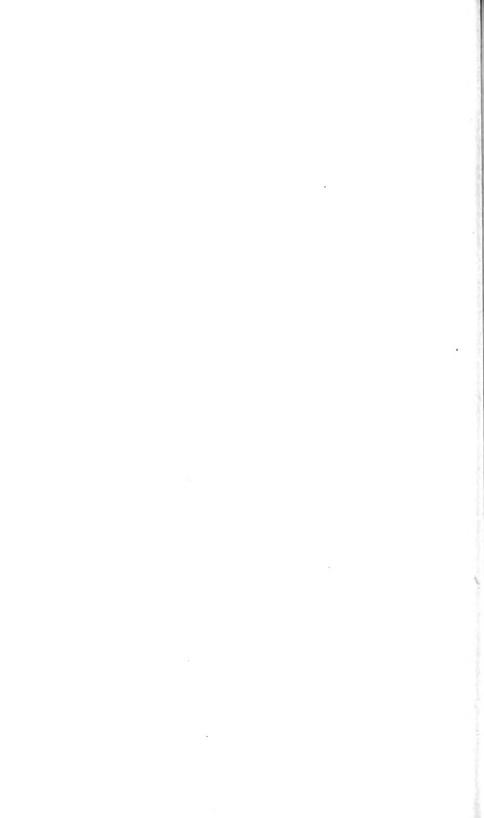
The Carter Motor Truck Company produces and sells through wholesale and retail dealers a line of 1-. 2-, and 3-ton trucks which are equipped with standard bodies of the type most used by farmers. Its product for the past few years has been sold almost entirely to farmers through local dealers, who also handle implements. With increased production the company realizes that it must make arrangements or help to make arrangements to finance dealers and

farmers who wish to buy trucks. With a small number in each district it was possible to finance sales by the usual method of using working capital and bank credit. Now, however, it seems that the manufacturer must extend credit and use his own resources to the limit if he is to dispose of his product in the course of the season. For dealers who have territory in rural districts the following plan has been devised whereby the dealers may take the time-payment contracts given by users and turn them in to the Carter Motor Truck Company, which will thereby finance the dealer:

Class of Car	Maximum Amount of Note	Deferred Balance Payable	Rate for Computing Differential Based on Amount Financed
New or used	60% of Cash S. P. 60% of Cash S. P.		$7\frac{\epsilon_{\ell}}{\epsilon}$ of amount financed. $7\frac{\epsilon_{\ell}}{\epsilon}$ of amount financed.
trucks	50% of Cash S. P.	One Note—7 Mo.	2% 1st month and 1% each additional month of amount financed.

Question

Should the plan be adopted?



PART IX DELIVERY OF ORDERS



PART IX

DELIVERY OF ORDERS

OUTLINE

- A. Relation of Filling and Delivery of Orders to Sales.
- B. Plant and Equipment for Filling and Shipment of Orders.
- C. Planning and Operating of Stock and Shipping Rooms.
 - 1. Application of scientific management principles to storing of finished goods.
 - 2. Storing problems in sales department; warehousing.
- D. Planning and Scheduling of Shipments.
- E. HANDLING ORDERS.
 - 1. Billing system.
 - 2. Packing-room operation and control.
 - 3. Shipment.
 - Traffic management from view-point of sales department.

GENERAL QUESTIONS*

A. Relation of Filling and Delivery of Orders to Sales.

Are the filling and delivery of orders to be considered functions of the sales department; if not, how should the needs of the department for building up a satisfactory clientele through service be met? Does the necessity of handling both inward and outward shipments furnish a valid argument for placing control of shipping in a separate department?

B. Plant and Equipment for Filling and Shipment of Orders.

What plant and equipment are required for the filling and shipment of goods? Should selection and provision of equipment be controlled by the sales department if shipping activities are so controlled?

C. Planning and Operating of Stock Rooms and Shipping Rooms.

Where stocks of finished goods are carried ready for shipment, to what extent is the application of the principles of scientific management as related to store systems in manufacturing establishments feasible? To what extent is the planning necessary to avoid excessive stocks and shorts a function of the sales department?

Under what circumstances is it necessary to establish warehouses at other points than at the plant, in order to satisfy the requirements of customers with regard to delivery? How is the type of warehouse required to be determined?

D. PLANNING AND SCHEDULING OF SHIPMENTS.

How can shipments be planned and scheduled when no stock is maintained? What methods may be used to insure prompt shipment without entailing excessive costs?

E. HANDLING ORDERS.

What routine is required for the handling of orders? Is it possible to establish a standard practice in the handling of orders? Is the handling of claims for losses during transit a function of the persons in charge of filling and delivery of orders?

*Anything approaching complete treatment of delivery of goods, including filling of orders, invoicing, storing, and shipment is lacking. The general works upon industrial management which contain references to routing, planning and operation of stores as applied to manufacturing plants may be of some assistance, but little attention is given to the handling of finished goods. See, for instance, E. D. Jones, The Administration of Industrial Enterprises, Chapters XVII and XX; J. C. Duncan, Principles of Industrial Management, Chapter XVII; Hugo Diemer, Factory Organization and Administration, Chapter XVII; Dexter's, Kimball, Principles of Industrial Organization, Chapter X; H. B. Twyford, Storing: Its Economic Aspects and Proper Methods. Trade publications in various lines contain occasional articles with reference to billing, storing, and shipping. Reference is made later to bulletins of the National Wholesale Grocers' Association.

Problem 316

CONTROL OF PACKING AND SHIPPING

The Reynolds Company produces a full line of construction machinery which it sells through branches located in all important centers. Packing and shipping of goods are handled by the production department, but the control of warehouses is handled by the service department of the sales division. The work of the service department is stated in the sales organization manual as follows:

EXECUTIVE: The head of this department is an Assistant General Sales Manager.

Purpose: The purpose of the Service Department of the Sales Division is to handle all business of the Sales Division not requiring action by the Vice President but which lies outside of the actual business of selling and the proper handling of a client's order from the time it is taken by the salesman until the transaction has been completed.

The major work of this department can be expected to result from orders, together with the processes of filling them and the necessary ensuing relations with other departments and divisions and with the client. The specific duties of the Service Department are outlined in the next succeeding paragraphs. The only exception to this general statement is in the case of specific duties naturally coming under this department but which have been especially assigned to some other department.

Divisions of Work

The work of the department calls for three major sub-departments:

1—Order Department

2—Field Inspection & Installation Department

3—Stockkeeping Department

(1) Order Department

This department receives orders from clients through Field Offices, agencies or other sources, by mail, telegraph or telephone; checks sales, prices and delivery promises, places the orders in the proper form and transmits them to the departments or divisions interested. It keeps proper records, and, upon shipment being made, invoices the customer.

The main divisions of this sub-department are as follows:

Chief Clerk, Order Department, In Charge

Issuing Clerk Price Clerk Reference Clerk Invoice Clerk File Clerk Record Clerk

Functioning.--

Example 1: An order for unit equipment is received by mail or otherwise from the District Offices or from other sources by the Service Department. It is automatically transmitted to the Order Department, where the order is then written up on forms provided for the purpose and transmitted to each of the following:

On orders for special equipment or on equipment

shipped from factories:

Example 2: On orders for standard equipment shipped from stock:

Example 3: Repair Orders.—These are sent direct by the person or department receiving same to the Repair Shipment Department of the Production Division, which department, when they have executed the order, sends one copy, with complete information, to the Order Department. The Order Department checks prices and invoices the material the same as is done in the case of orders for unit equipment.

(2) Field Inspection & Installation Department

This department handles the field work required in the proper installation of equipment or plants, makes inspection of equipment in the hands of the clients at intervals to be determined. (Different classes of equipment will suggest different integrals of inspection.) It handles field work encountered through complaints of faulty equipment, and

its duties include any necessary adjustment with the client arising from failure of Reynolds equipment to give reasonable satisfaction.

The organization of this department is,—

Superintendent of Field Inspection & Installation, In Charge Construction Field Inspectors, Industrial Field Inspectors

Functioning,—

Example 1: Notice is received from the Construction Department that Reynolds equipment has been ordered for use on a job of size or for a plant, requesting the personal attention of a Reynolds representative to bring about the most successful installation. This matter, either through personal direction by the executive of the Reynolds Department or automatically, is placed in the hands of the Superintendent of Field Inspection & Installation, who, through his staff, takes charge of the direction of the method of installation, remaining at the work until he is satisfied that the proper use and care of the equipment is understood by the client.

Example 2: Complaints are received by the Service Department. With or without the personal direction of the Manager, these are turned over to the Superintendent of Field Inspection & Installation, who either personally or through his field inspectors investigates the matter and brings about an adjustment with the customer. (Under the heading of "Reports" will be found an outline of a report to be made on complaints.) An adjustment may be of such magnitude that final decision will rest with the head of the Service Department, but, as a general rule, the duty of making adjustments rests with the Superintendent of Field Inspection & Installation.

(3) Stockkeeping Department

This department is responsible for the actual operation of the various warehouses and handles the work of keeping the necessary centralized stock records.

The organization of this department is as follows:

Warehouse Stockkeeper Stock Record Clerk Warehouse Men.

Question

Should packing and shipping be removed from the Production Division and be placed in the Service Department of the Sales Division?

Problem 317 System for Handling Orders

Systems for handling orders vary widely, depending upon

(a) Size of concern and necessity for control.

(b) Types of products handled.

- (c) Type of business, whether manufacturing or merchandising.
- (d) Location of branches and manufacturing plants, and so on.

A simple system used by a large number of concerns may be briefly outlined as follows: The order taken by the salesman is made out in triplicate, one copy given to the customer, one retained by the salesman, and the original sent to the house for filling. In the house the order is copied, sometimes being distributed on different orders according to departments. The form may be made out in triplicate, one remaining in the sales department, one going to the stockroom, where it is filled and checked, and the third copy going to the credit department. If the credit department O. K.'s the order, this copy is returned to the sales department, and, after filling out and pricing, the original is sent as an invoice and the second and third copies filed according to the nature of the particular company.

Questions

- 1. What are the weaknesses of such a system?
- 2. Under what conditions does it give the needed control?

Problem 318 Billing System

A wholesale grocer uses a billing system which may be outlined as **follows**:*

The order is written by the salesman with indelible pencil on the customary order form. After passing Credit Department and Order Desk, the order is given to the duplicating clerk, by whom eleven copies are made (without re-writing) on a duplicator. Ten copies are sent to the various departments of the house, so that the goods may be marked and sent to delivery platform for shipping. The assembling of goods to be shipped to any one customer or by any one railroad is done only on dock. The eleventh copy is sent to Billing Department, and from it a "skeleton" bill is made; i. e., bill complete with exception of extensions; this does away with the crowding of billing clerks at each end of day.

The invoices are mailed the day after the goods are shipped, unless goods are being sent to nearby places; in which case, they are sent out same day. When an order has been billed, it passes through the Shipping Department for attention as a bill of lading, which has previously been made out, and then is given to a clerk who has temporarily filed the various skeleton invoices. This clerk then compares each skeleton invoice with the charge sheet and makes any changes on the invoice necessary to make them agree. Invoices and charge sheets are then sent out to Extension Clerk; here, two women spend half their time extending bills in pencil: one extends the charge sheet and the other the invoice. and the totals are compared. The Extension Department makes about 7,000 extensions per day, and there is not an average of one error in arithmetic a month.

The weight column on our charge sheets and bill-heads is the column where the total contents is shown. For instance, for an item of ten cases of tomatoes the weight would show 20, signifying that there are

^{*}Bulletin National Wholesale Grocers' Association, February, 1921.

twenty dozen in the ten cases and that the goods are priced by the dozen; therefore, the extension would be twenty times the price per dozen. We have the weight column filled in by two experienced grocery people, one filling in on invoice and other on charge sheet; thus, errors in weight column are practically eliminated.

There is still further check on extensions when charge sheets pass through the Profit Department. The profit clerks read the entire item, and the item is re-figured with the cost as a multiplier and the total cost of the item is shown on the sheet directly opposite the total of the charge. If an item shows excessive profit, or shows below cost, there is an investigation.

The charge sheets are in the files on the morning of the fourth day after shipment. There is no check on prices other than the careful examination of the

Country Desk.

Question

Is the system one which should be adopted by every wholesale grocery?

Problem 319

MANUFACTURER'S ORDER-FILLING SYSTEM

The Henderson Machinery Company, of Buffalo, New York, sells both machinery and factory supplies. Branches have been established in principal cities. Larger machinery is sold direct to factories and mills, while factory supplies of various types are sold through the dealers. At the main office orders may be received:

- (1) Direct from salesmen going out from warehouse;
- (2) From factories ordering direct:
- (3) Orders may come from branch offices for direct shipment to customers;
- (4) Requisitions from branches for replenishment of stock.

Although there are stockrooms at sales headquarters. complete stocks of machines and supplies are not main-The large machines are shipped direct from factory, while for some of the slow-selling supplies nurchases are made only upon the basis of orders received. In filling orders, the initial step is the filling out of the order blank. Three copies are made for orders taken at the main office; one is called the original: the second called the customer's copy; the third is the tissue copy retained by the salesman in his order For orders taken through the branches there are four copies: first, the branch original: second, the branch customer's file conv: third, the customer's copy: and fourth, the salesman's copy. The form of this order is very simple, containing merely the usual heading—date. customer's number, branch number, salesman, branch. shipped to, address, charged to, shipped via. when with "All orders are subject to acceptance by our main office at Buffalo and contingent to any conditions beyond our control." Since the nature of the products varies widely, no special ruling is used.

When the copy of the salesman's order is received at the main office, four order forms are made out at one writing. The first of these, headed "Factory," gives date shipped. Buffalo order number, customer's order number, and how shipped, with the name of the customer and shipping directions. The second copy contains memorandum of shipment. The third is called "bookkeeping copy" and the fourth "file copy." The only difference between the copies is that the factory copy has inserted "Please send the goods mentioned below and charge to our account, rendering invoice promptly for this order only to the X Machinery Company, Buffalo." This copy of the order is used only when the order is to be filled from the factory or the plant and goods are not in stock at Buffalo. If the goods happen to be in stock, the factory copy is destroyed. The file copy is sent to the stockroom, from which the order is filled, then returned to the order department and filed with filled orders. The memorandum of shipment is sent to the shipping department and returned to the order department when the order is filled. The order is then priced from the records in the order department, recorded on the copy marked "bookkeeping," which is then sent to the bookkeeping department for charging and invoicing. When the order calls for articles manufactured by the company at any of its factories but not kept in stock at Buffalo, the factory copy is sent to the factory to be filled together with the bookkeeping copy. The bookkeeping copy is returned when the order is filled and the charges are recorded upon it. The file copy is filed in the customer's folder until the order is filled, when it is filed numerically with filled orders.

If the article ordered is one which the company handles, but which is neither manufactured by the company nor kept in stock, the factory copy of the order (properly addressed) is sent to the company from which this article is customarily purchased (as determined by the purchasing department).

In order to maintain stock of articles in which demand warrants and to give control of stores, the company uses a stock card giving amounts received and disbursed balances, and list of orders. headings of the cards contain description of the article. its location in the stockroom, concern from which purchased, maximum and minimum stock limits. White eards are used for articles which are commonly carried in stock; red cards for articles which are purchased only upon receipt of orders from customers. By glancing over the red cards it is a comparatively simple matter to decide whether or not demand is sufficient to warrant stocking a particular article. When the minimum amount has been reached in the stockroom for any particular article, the usual procedure is to send requisition to the purchasing department containing a brief transcript of information from the stock card as to customers and amount needed to keep up stock.

When a branch office salesman secures an order, the original and first carbon copy are sent to the branch office, the first carbon being for the customer's file and called "branch customer's copy." The customer's copy is of course given to the customer, while the fourth copy is retained in the branch salesman's book. If the material sold is stocked at the branch, the procedure of copying the order is much the same as at the main office. The copies of the order made from the original salesman's order are as follows:

- (1) Factory copy, used only when shipment is to be made direct from factory.
- (2) Bookkeeping copy, destroyed if order is filled from stock.
- (3) A file copy, used the same as in the main office, sent to the shipping room and returned after filling.
- (4) If the order is filled from outside purchases, there is a so-called "extra" copy, which is kept in the cost folder. This is kept in a file until the order is filled, then the file copy is substituted to show that the order is filled. For certain types of shipments this is put into the customer's folder for reference.
 - (5) The memorandum of shipment.
- (6) The sixth copy is the branch file copy, filed by order numbers. A special form is used for filled orders from dealers for supplies, and one of the four copies called the "Stock-clerk's copy" being sent to the stock-clerk where the order is filled. The second is the bookkeeping copy, sent with the stock-clerk's copy to the stock-clerk and returned after filling to the bookkeeping department. The shipping memorandum is sent to the shipping department and returned to the order department when the order is filled. The order is then priced from the records and recorded on the copy marked "bookkeeping," which is sent to the bookkeeping department. The office copy is filed according to customers.

Questions

1. Does the system indicated give the desired control over orders and shipments?

2. What changes should be made in order to adapt it to a business filling orders entirely from stock, but having the same general organization of branch offices?

Problem 320

Application of Scientific Methods to Packing and Shipping

The Clifford Manufacturing Company is located in a suburb of Chicago near the junction of two important railroads. This location gives good service for shipment toward the East and Southeast. Motor truck express service is available for Chicago and suburbs, while the American Railway Express operates on both of the railroads.

The company's products comprise a line of absorbent gauze and cotton for surgical and household use. The gauze products are in seven main classes: bolt goods, sewed goods, cut goods, gauze rolls, bandage rolls and bandages, gauze ends, seconds and shorts. line includes five grades: standard (which is the best grade), dispensary (next grade), waste, filter, and jewelers' cotton (used for lining jewelry boxes). In its processes the company is a cotton textile finishing company, cloth being purchased in the grey cotton in the form of raw cotton, waste, strip, or combing. Separate storage is provided for cotton and grey cloth as raw materials, and for work materials. The products of the company are sold both to consumers, particularly hospitals, and to dry-goods wholesalers and retailers. wholesale druggists and retail druggists for resale.

It is the custom of the trade to give orders which call for delivery almost entirely on two days: the first and the fifteenth of the month. The daily volume of orders received fluctuates greatly. It is influenced by the cotton market, because the prices of the finished product bear a close relationship to the price of raw material.

When an order is received by the company, it is first of all passed to the credit division of the accounting department for approval; secondly, it goes to the order division of the sales department, where it is registered. indexed, and transcribed. Nine copies are then typed upon the billing machine. As the third step, the order goes to the planning division of the mill, where it is ascertained whether or not the material is in stock; if so, deductions are made from the balance-of-stores card and arrangements made for manufacturing orders for the materials not on hand. The order then goes to the stockrooms or the work material stores division. where the items are picked out. They are then sent to the packing division for packing and to the traffic division for shipping. Finally, the order reaches the accounts receivable division of the accounting department for billing. The nine copies of the order are distributed as follows:

- (1) Invoice copy.
- (2) Invoice duplicate copy to billing division.
- (3) Sales book copy.
- (4) Statistical department copy.
- (5) Sales office copy.
- (6) Acknowledgment to customer.
- (7) Order department copy.
- (8) Planning department copy.
- (9) Shipping order copy.

Copies 7, 8 and 9 are dispatched by hourly messenger service to the planning division of the mill.

In the planning division there are three persons: one supervises the order of work, another is the information clerk, and the third is the clerk who writes out the requisitions of work material stores, keeps the records and the files. The time at which the order is received is stamped on the three copies. They are then classified as "current" or "future" orders, depending upon the delivery date specified. A "future" order is regarded as any order which calls for delivery more than two weeks in advance. Orders to be shipped within two weeks are classified as "at once" orders or "urgent." They are classified further as "express" or "parcel-post" orders, "urgent," "freight," and "all others." "Express" and "parcel-post" orders are to be shipped within 24 hours, "freight" orders within 48 hours, wherever stock is available.

After orders are arranged according to priority, they are given to the clerk handling the balance of stores records. If the goods are in stock, the items are marked "ship"; if not, they are marked "make." When the orders come back to the sales order group. "ship" orders are sorted from "make" orders. "Make" orders then go to the overdue file and are held until materials are manufactured and received. The "ship" orders are given to the issue-writer, who makes out a separate requisition for each item marked "ship." The number of such requisitions is noted on the order. The orders or issues are then ready for dispatch to the storerooms and to the packing-room, one copy being kept in the active file of the planning department and the requisitions being sent by messengers to the work material storerooms and the shipping order copy taken to the packing department. When the goods have been picked out in the storerooms and sent to the packing floor, the requisitions which the stores division has filled are sent back to the planning division. traffic division determines how the goods will be packed and sent, stamping on the face of the shipping copy of the order classification rate and shipment. The packing foreman then checks off the items on the shipping order; and, when all items are assembled, the foreman gives the shipping order to his assistant, who types three copies of the packing slip for each container.

The factory is operated on Taylor principles with considerable success. It appears, however, that the packing and shipping department does not operate so smoothly as is desired, frequently clogging up and rendering it impossible to give the amount and type of service which the company wishes to give.

Questions

1. How should the company go about developing standard practice in packing?

2. To what extent can Taylor principles be applied

to packing and shipping?

PROBLEM 321

Establishment of Warehouses to Facilitate Delivery

The Haskell Biscuit Company, of Rochester, produces a line of biscuits and crackers which are widely advertised and which are sold upon a quality basis throughout the territory east of the Mississippi. The company maintains warehouses in Philadelphia, New York, and Chicago to facilitate the shipment of its product to dealers in the vicinity. In New York the grocery wholesale district is in the downtown section, while the retail grocery business is scattered widely over the entire metropolitan area. Fresh stock is essential for continuance and development of a biscuit business. The sales manager of the company claims that these warehouses should be discontinued and that shipment should be made direct from the Rochester factory; he contends that delivery will be made as promptly as if sent to the warehouse.

Question

What action should be taken?

PROBLEM 322

RESERVE STOCKS AT BRANCH OFFICES

The Randolph-Welburn Company, manufacturing saws, machine knives, and files, operates factories in Cleveland, in Pittsburgh, and in Worcester, Mass., and also a steel mill in Buffalo. The company's annual sales in 1915 exceeded \$9,000,000 and for the first three months of 1916 were running at the rate of approxi-

mately \$11,000,000 per annum.

This company distributes its product through 11 branch offices in various parts of the United States and Canada. These branch offices sell direct to large consumers, and to the retail trade, such as hardware stores. It has been the custom to carry at each branch office from two to three months' supply of the different lines manufactured. The quantity for the various items is determined by a careful study of the sales in previous years. Approximately four months' supply of finished material is kept in stock at the factories.

About May, 1916, the branch managers were continually reporting to the main office, which is at Worcester, that two or three months' stock was not sufficient to take care of the constantly increasing demand, and they requested that all reserve stocks be stored at the branch offices. With the possible exception of circular band saws, which are to a large extent sold on the Pacific Coast, the market for their other products is fairly divided among the various branches.

Question

Should the manager of the Randolph-Welburn Company comply with the request of the branch office managers and transfer the reserve stocks to the branches?

PROBLEM 323

PRIORITY OF PARTS ORDERS OVER MACHINE ORDERS

The Deyfoot Manufacturing Company is engaged in the manufacture of textile machinery and machine parts. The total sales amount to approximately \$6,000,000 a year, of which \$1,000,000 represents the sales of machine parts.

The execution of work in the plant has been systematically developed, and, as a result, the production department for the past number of years has been able to send their selling organization definite schedules showing delivery dates for different types of machines. For example, one of these reports would show that the sales force could promise a delivery date on type 22 of from three to four weeks from the time an order was taken. The company manufactures for stock and carries in a special service storeroom many of the standard parts of its machines in order to give its customers service on the replacement and repairing of parts.

As a result of this coordination between the production and sales departments, the company has gained a reputation throughout the country of always delivering finished machines on the dates promised and of giving good service on repair and replenishment orders. The executives have taken great pride in this reputation, and the sales manager always makes it a point in training new salesmen to impress upon them the necessity, when talking with prospective customers, of stressing the fact that the company always lives up to promised delivery dates on finished machines.

During 1919, the company was 22 weeks behind in its production program, and it frequently happened that the factory was out of stock on parts called for by customers for repair orders. In fact, in filling these parts orders, the production department was at a loss as to whether to give a machine order priority over a parts order. The head of the production department, therefore, asked the sales manager and the president of the company to advise him whether in their opinion parts orders should be given priority over machine orders.

Question

Should the sales manager and the president of this company have established the policy of giving parts orders priority over machine orders?

PROBLEM 324

STANDARDIZATION OF FORMS—PURCHASE ORDER

The Committee on Standardization of Forms of the Sales Managers' Bureau of the St. Louis Chamber of Commerce has sent the following letter to sales managers:

Herewith, please find draft of tentative form of purchase order submitted by the National Association of Purchasing Agents. You are probably aware that a standard invoice form has already been passed on and adopted.

The National Association of Purchasing Agents, with whom we are cooperating, have asked our membership for an expression on the purchase order form and we would appreciate your going over this carefully and advising us of any suggestions or changes which may seem necessary.

It appears to us that a space, or additional line, should be added right under "Shipped to," reading "Charge to," because it frequently happens that an agent will receive an order from a sub-dealer to be shipped and charged to a third party.

You will note there is a second sheet attached, carrying optional conditions which may be embodied in the purchase order. It appears to your committee that the wording on this purchase order forms a one-sided contract in favor of the buyer, and that clauses limiting reasons for cancellation should be made a part of this purchase order; also clauses as to limitations of quantities and liability from accidents or damages due to misuse or abuse of the articles furnished. While we may not be able to get the Purchasing

Agents' Association to adopt such clauses, nevertheless they, and perhaps others along this line, should go on the forms used by your own salesmen when taking orders.

The form submitted follows:

Form No.

PURCHASE ORDER JOHN DOE & CO. 100 west street BOSTON, MASS.

Seal. trade-mark. or insignia can be used in this space.

ORDER NO. This number must appear on invoice, B/L, cases, bundles, packing lists, and correspondence.

Date 192

REO. No. DEPT. STORES OR I Div. No. 1 Seller's No.

Please SHIP the following merchandise SUBJECT TO CONDITIONS below:

Ship to

Date to be shipped

Ship Via Terms

F. O. B.

QUANTITY

ARTICLES

PRICE

TENTATIVE FORM NO. 1.

STANDARDIZED PURCHASE ORDER

DRAWN BY

STANDARDIZATION COMMITTEE

NATIONAL ASSOCIATION OF PURCHASING AGENTS

SIZE STO X 11

NUMBER OF COPIES OPTIONAL

COLOR OF ORIGINAL NOT YET DETERMINED.

Mail invoices (in duplicate) and original B/L to

IMPORTANT CONDITIONS

- 1. Mail acceptance of this order immediately.
- 2. No charges allowed for boxing, packing or crating.
- 3. If prices are higher than specified, do not ship. Advise us.
- 4. If price is omitted on order, it is agreed that your price will be the lowest prevailing market price.

- 5. Do not ship prior to any specified date, unless otherwise notified.
- Goods subject to our inspection on arrival notwithstanding prior payment to obtain cash discount.
- 7 Goods rejected on account of inferior quality or workmanship will be returned to you with charge for transportation both ways, and are not to be replaced except upon receipt of replacement purchase order from us.
- 8 It is agreed that goods ordered above shall comply with all Federal Laws relative thereto, and that you will defend and save harmless this Company from loss, cost or damage by reason of actual or alleged infringements of letters patent concerning same.
- Orders not shipped on the date specified may be cancelled by us. In case order calls for partial shipment, balance may be cancelled or suspended upon notice, and suspended shipments may be later taken out if on or before last shipping date specified.
- If these conditions are not acceptable please advise us on receipt of the orders, and before you make any shipment.

PURCHASING AGENT.

The following were suggested as optional clauses to fit needs of particular concerns:

Invoices in duplicate, shipping memorandum and bill of lading with full routing must be mailed to us at...... on date of shipment.

Unless otherwise specified payments of invoices are subject to a cash discount on 15th of month following receipt of invoice.

Material will be received subject to inspection and if found defective, or not in accordance with specifications, will be returned at your expense.

A delivery receipt showing order number and description of material must accompany all City deliveries.

By accepting this order you agree to defend, protect and save harmless , its customers and the users of its products, against all suits and from all damage claims, and demands for actual or alleged infringements of letters patent by reason of the use of the articles hereby ordered.

We reserve the right to cancel this order or any unfilled portion thereof if deliveries are not made as specified herein.

If this order is subcontracted the subcontractor must be instructed to mark all packages with this order number.

We will not accept substitutions.

This company reserves the right to cancel all or part of this order if not filled within the specified time.

By paying your invoice before arrival and inspection of our purchase we avail ourselves of the eash discount only, and do not thereby accept quality or quantity as approved.

All goods shipped on account of this order will be carefully inspected, and if rejected by us on account of material,

workmanship or other defects, same will be held subject to your orders, freight and cartage chargeable to your account, and when returned are to be replaced ONLY on replacement purchase order.

Questions

- 1. Should a sales manager accept orders subject to conditions expressed in this form?
- 2. Are any clauses objectionable from view-point of sales manager?



PART X

ADMINISTRATIVE POLICIES AFFECTING SALES MANAGEMENT



PART X

ADMINISTRATIVE POLICIES AFFECTING SALES MANAGEMENT

OUTLINE

A. Financial Policies.

Financial policy of the concern as determined by the administration, that is, the board of directors, president or other general executives, fixes the amount available for development of sales and the volume of sales, which under given conditions can be financed. Channels of distribution, extent of advertising, size and character of sales organization, and certain sales policies depend largely upon predetermined financial policy.

B. PRODUCTION POLICIES.

Policies with respect to the nature and quality of product, manufacturing for stock or to order, volume of production, and standardization will often be determined by administrative authority and will in the same degree limit the sales organization's choice of policy and method.

C. Organization Policies.

General organization policies of the administration will determine:

(1) The authority of the sales department.

(2) The place of related sales activities, such as export, advertising, sales promotion; relation to the sales department proper.

(3) Relation of sales department to other departments of the enterprise.

(4) Location of main sales office.

The selection of the chief sales executive is likewise an administrative function.

D Wyrkering Policies

The administrative heads of the business frequently determine the general nature of marketing methods: for instance, whether goods are to be sold direct to consumers by mail-order methods or through the customary middleman, Likewise, major nolicies regarding advertising brands and service

\mathbf{E} Control.

The general nature and extent of control of sales departments by administrative officers—budgetary control, master planning.

GENERAL QUESTIONS

A. Fixancial Policies

Given certain capital resources, how much can be set aside for the development of sales? To what extent should this amount be determined for the sales manager? To what extent by the sales manager? By determining the amount of working capital available for financing sales, does the administration determine also the channels of distribution, the extent of advertising, the size and character of the sales organization? How does limited working capital affect sales policies?

\mathbf{B} Production Policies

To what extent is the determination of nature and quality of product to be manufactured a matter for administrative decision or to what extent should it be left to the sales department? In what way should the administrative authorities provide for coordination of production and sales? Should a company attempt to lift its products out of the class of staples or unidentified goods; if so, what changes should be made? To what extent should these matters be left by the sales department to higher authorities?

Organization Policies.

What should be the limits of authority of the sales department? What should be the relationship between the sales department and the various forms of sales activities, such as export selling, advertising, and sales promotion? What should be the relation of the sales department to non-selling departments? What should be the location of the main sales office? Whom should the enterprise select as chief sales executive? How should he be selected?

D. Marketing Policies.

To what extent should administrative heads of a business determine general marketing policies? Should the decision as to direct sale to retailers or other departure from traditional channels be decided by the sales manager or by the administration? To what extent should policies regarding advertising, brands and service be determined by general executives and administrators?

E. Control.

What should be the general nature and extent of control of the sales department by the president, general manager, and board of directors? Does the budget system give sufficient control of the sales department?

PROBLEM 325

Determination of Policy by Administrative Authority-Selection of Sales Manager

The James Engineering Company owns concessions under the patent rights for U.S. and manufactures in small quantities an automatic lubrication system for motor vehicles. With attachments, this system can be adapted to any of the ears in the class selling at \$1,000 or over. The device is of European origin, having been successfully applied to many of the famous European cars. While the sales in Europe have never been large, the device has been in use long enough to assure the company that it is correct from an engineering view-point and from the view-point of actual service. The president and board of directors of the engineering company are all men interested primarily in engineering and manufacturing activities. They have no desire to establish a sales organization. The lubricating systems have in small quantities been sold for several years, but never over 1,000 systems in any one year.

The excess capacity of the factory during the war was used for manufacturing aeroplane parts for the Government. Upon the cancelation of these contracts, the James Engineering Company found itself with an excessive manufacturing capacity, and the directors were at a loss to know how to increase sales of the lubrication device. About this time, they were approached by a certain group, who proposed to take over the sales of the lubrication system in return for exclusive selling rights in the United States contracts, as finally agreed to, relieved the engineering company of any necessity of continuing sales efforts. The sales company, then formed under the name of the Automotive Sales Corporation, agreed to purchase for resale at least 8,000 of the lubricating systems each year, in consideration whereof they were to have exclusive sales rights. The purchase price fixed by contract was \$50 per system, including attachments for various makes of cars. Payment was to be made upon the first and fifteenth of each month for all stock invoiced since the previous payment. In addition, the engineering company was able to secure the promise. incorporated in the contract, that at least \$30,000 per annum would be spent in advertising the product.

The capitalization of the Automotive Sales Company consisted of \$100,000 par value preferred stock and 2.000 shares common stock at no par value: \$70,000 of the preferred stock was issued, of which \$20,000 was paid for the equipment, good will and accounts receivable of the three existing stores. other \$50,000 was paid in eash. The borrowing capacity of the concern was, of course, limited, although personal endorsement of company notes, the officers could probably secure \$50,000 additional. The group of men composing the sales company under this agreement had been interested in the trade in automotive accessories and had, for a year or two previous, maintained a store in which the sale of this lubricating device was featured. The company as formed took over this branch store and assumed certain obligations with reference to the establishment of a branch store in New York and another in Cleveland. As a consequence, when the company was finally formed and its sales headquarters located near the plant in Cleveland, it had already three retail branches: one in Philadelphia, one in New York, and one in Cleveland.

Soon after taking over the sales, the officers of the new company learned that little care had been taken by the manufacturers to see that satisfaction was given by the lubricating systems already sold and found that there was a great deal of dissatisfaction, not because of the incorrectness of the mechanical features, of the system, but because of faulty application of ignorant mechanics. It was felt that, at least until the device was simplified, it was necessary to take more than ordinary care in selecting dealers or in distributing the device to consumers.

(a) No member of the board of directors feels capable of assuming the duties of sales manager. It is proposed by a director that the company should endeavor to secure a man already in the automotive trade, who has been successful. It might be necessary to guarantee a salary of \$10,000 to \$15,000

per vear.

Among the applicants for the position is Mr. Henry Dorman. During a brief interview, the president of the company was favorably impressed with his personality, but requested Mr. Dorman to write a letter which might be referred to the board of directors as statement of qualifications and experience. The letter follows:

Dear Sir:

The purpose of this letter is to supplement our recent personal interview, and, as suggested by you, I am outlining my selling, sales promotion and advertising experience, believing that I have the necessary qualifications for the position of sales manager in your organization.

My experience in advertising and sales work dates from 1910 at which time I was connected with the advertising and selling ends of one of the largest department stores between New York and Chicago, namely of Rochester.

I remained with that concern until March 1915 and acquired a vast amount of information and experience relative to retail selling and advertising.

I left to accept a position as sales promotion man with of Cleveland, one of the country's largest makers of women's outer apparel. My duties with the Cleveland concern consisted of handling of all dealer prospects both personally and by correspondence; preparing all advertising and dealer helps for the dealers' local use; editing the company's house organ and acting as general assistant to the sales director.

In March 1916 I was offered and accepted a position in the advertising and dealer helps division of Rubber Co. of Akron, O.

While with that company I did considerable traveling among the dealers for the purpose of selling them on the value of local advertising; also to educate them to make use of the dealer helps which were furnished by the company. I also prepared the pneumatic tire advertisements and was a member of the advertising committee which passed on all matters relating to the company's advertising and new dealer sales policies.

In addition, I had supervision of the company's window display division, the duties of which consisted of designing all window displays, both for branches and dealers.

In February 1918 I was offered and accepted the position of advertising manager with The Motor Corporation of St. Louis, makers of motor trucks. In addition to my duties as ad man, I also assisted the sales manager, but was not officially promoted to the position of assistant sales manager until January of the present year.

Due to the fact that _____ output is oversold for months to come which obviously means little need for an

active selling organization, I left that concern May 15. I can refer you to any of the officials of the company.

I confidently believe that with my advertising and sales promotion experience, particularly with the automotive and tire industries, I can make my services of much value to your organization, and if given the opportunity where diligent, creative work will be appreciated, I will make good to the entire satisfaction of all concerned.

Realizing that a young and growing concern is burdened with great expense, I am willing to start with your organization at a yearly salary of \$3900 or \$75 a week, until such time as distribution and sales have reached a point where my services would be worth more. In addition to the work of directing the sales, I should be pleased to supervise the company's advertising until the services of a permanent advertising man might be required.

I am 33 years of age and married.

I want to thank you for your kindness in granting me an interview and will greatly appreciate anything you will do to have my application given consideration.

Yours very truly,

References: (Four officials in companies with which Mr. Dorman has been connected.)

Question

What action should be taken upon this application?

(b) Since the renewal of the contract from year to year is contingent upon fulfilling its obligation of selling at least 8,000 systems annually, the board of directors of the company must determine certain matters of general policy. The financial resources of the company are so limited that financing of sales presents a serious problem. It is expected that the systems can be sold to dealers at an average of \$75 per system net, but such sales must be made in small lots and require much effort both in effecting sales and in securing proper installation. On the other hand,

the entire output would be taken up if one or two larger automobile manufacturers could be induced to feature the systems as standard equipment. However, the price which could be secured would undoubtedly be considerably less than \$75, probably not over \$55 per system. While the suggestion has been made that the whole matter be left to the sales manager to be appointed who might dispose of the \$,000 sets as he saw fit his term of office depending upon his success, the other members of the board feel that they must decide this question because the type of sales manager to be chosen will depend upon the decision.

Questions

1. What policy as to sales for standard or factory equipment should be adopted?

2. How will the decision influence the building

of the sales organization?

3. How will sales policies as to channels of distribution and credits be affected?

(c) The manufacturing company has agreed to replace systems or replace defective parts, but there is considerable cost involved in having these parts replaced by competent mechanics. Customers, under a guarantee which has been given, object to paying the cost of this labor. Replacement or repair of all outstanding sets would, of course, be productive of good will, but would involve considerable expense, totaling approximately \$15 per system for such as are not operating properly. Judging by experience in certain limited districts, about 500 systems require replacement or overhauling because of faulty installation.

Question

Should the administrative officers give the sales manager carte blanche to adjust complaints under the conditions?

PROBLEM 326

Administrative Policy Affecting Sales

The Euclid Chocolate Company is an Ohio corporation which has been in business since 1906. Up to 1913 the company enjoyed a steady, healthy growth of from 10 to 20% of its volume each year, the sales in 1913 being about \$450,000. The candy is sold in the territory east of the Mississippi, about 90% of the sales being made direct to the retailer and some 10% through jobbers in sections where the company is not in a position to sell direct.

During the war the company experienced an unusual expansion, which reached its peak in 1920 with sales of \$1,253,000. On the basis of pre-war prices this represented about \$850,000 in volume. In 1920 the company undertook responsibility through a long-term lease for the erection of a new factory with a capacity of about three times that of the old factory. The following are several of the financial statements of the company:

STAT	EMENT OF I	INANCIA	L CONDIT	TON	
Assets	1909	1913	1916	1918	1919
Real Estate	\$12,900.00	\$39,192.00 50,672.00	\$42,163 29 69,639,63	\$ 40,942.81 152.788.41	\$ 34,542.50 210,217.58
Merchandise	42,700.00	93,775.00	131,966,82	162,990.02	201,210.76
Goodwill	5,500.00				
Advertising Reserve					
Prepaid Items			***********		8,200.00 52,492.00
	892,600,00	\$183,639,00	\$247,069.71	\$356,721.24	\$536.662.84

LIABITITIES					
Capital .	\$15,000.00	\$ 81,000.00	\$161,100.00	\$178,100.00	\$205,100,00
Accounts Payable	29,200.00	16,223.00	20,130.62	23,610.06	50,267.86
Notes Payable				15,000.00	102,500.00
Funded Delat			30,900.00	88,981.18	
Floating Debt	15,100.00	67,951.00			
Reserve for Depreciation				48,000.00	
Surplus					148,044.98
Profit & Loss		45,132.00	34,939.12		30,750.00
	\$92,600,00	\$183 639 00	\$217,069,74	\$356 721 21	\$536.662.84

The statements show that capital was increased considerably the year previous to the expansion to provide working funds and capital required for building. The new factory was ready in the fall of 1920, but by that time the large capacity was unnecessary. The market had fallen, so that only 30% of the new production capacity could be used. Furthermore, the company suffered large losses on inventory and was confronted with large obligations contracted for with the banks in connection with the new plant. The statement as of Dec. 31, 1920, shows the following:

	Preferred Štock	Common Stock
Capital stock authorized		300,000
Par value of shares	100	100
Number of shares	7,000	3,000
Number of shares authorized out-		
standing	3,497	1,626
Paid-in value	349,700	$162,\!600$

Assets

Real estate	S
Plant equipment	197,401.77
Machinery	72,431.90
Merchandise	407,386.10
Furniture, fixtures and tools	17,330.71
Autos, trucks and teams	
Notes	9,049.00
Accounts receivable	328,238.54
Cash	67,288.63
Securities	34,779.40
Patent rights	
Trade-marks	
Good will	
Profit and loss	
	\$1,133,906.05

Liabilities

Capital stock	 <i>.</i>	 \$512,300.00
Mortgages	 	
- Accounts payable	 	 134,626.47
Notes payable	 	 435,500.00
Surplus	 	 $51,\!479.58$
Profit and loss	 	
		\$1,133,906.05
		(2) L 1 L 1 P P J 1 () () () 1 () ()

At the present time the management finds that it has failed to establish lasting dealer relations the war there was extensive distribution but intensive work designed to build up good will. When the slump in prices came, many of the dealers who had purchased large quantities of candy during the sellers' market ceased buying. The company had done no advertising, except through providing store signs and window displays for dealers. No periodical advertising had ever been undertaken, mainly because of the difference of opinion among the directors as to the policy to be adopted. Under the conditions early in the war, it was felt that while \$25,000 or \$30,000 per year might be expended upon advertising it was impossible to appropriate as much as \$100,000 a year. The sentiment of the majority of the board of directors was that unless \$100,000 a year could be spent upon magazine advertising, it was folly to undertake any advertising at all. Likewise, it seems that, during the period of expansion when sales were large and money could be appropriated for advertising, the management had a feeling of false security and spent a considerable amount of the large war profits in unwarranted expansion instead of in building up consumer good will. As a consequence, the company finds itself in financial straits where further borrowing from the banks means relinquishing control to a bankers' committee.

The price policy of the company is a uniform, oneprice policy, no concessions being made for quantity purchases. The company has never adopted the policy of giving special concessions to strategically located dealers. The salesmen operate on a salary and commission basis. In view of the financial difficulties of the company, the management has cut down its sales force. One of the most successful salesmen of the company, covering the city of New York, has been withdrawn entirely, as have salesmen in other districts. Prices have been cut radically. The company has undertaken, also, to manufacture a lower grade of product than formerly, thus departing from its policy of selling only a trademarked, high-quality product. It was felt that this action was necessary to meet the demand of the public for a less expensive product. At present, the company's position is not improving.

Questions

1. As sales manager, what action would you suggest

to place the company on its feet?

2. To what extent should the course of procedure suggested require the approval of the president and board of directors of the company?

PROBLEM 327

Scope of Administrative Action

The Western Railway Signal Corporation capitalized at \$50,000— 8^{ℓ}_{ℓ} preferred, and \$100,000 common stock, owns the patents of an automatic, interlocking block signal system, which has been officially adopted in Europe on some of the important railroads. It is preparing a test installation of this device on a local road; but, realizing that adoption is a slow process, the board of directors wishes advice on certain matters concerning its other device, known as the Automatic Motorless Electric Flasher. In a statement of the company appears the following:

This flasher was designed especially for railroad and highway signal work. Its operation consists in turning on and off automatically the electric current leading to one or more electric lamps. It appears, however, that this flasher has a wider field of application, prominent among which is the electric advertising field, as well as lighthouses and buoys, and possibly street traffic signals, automatic switches, etc.

ADVANTAGES OF THIS FLASHER

- (1) It has no motors or heat-resistance units or other parts that would necessitate frequent repairs, but operates on an electro-magnetic pendulum principle.
- (2) The making and breaking of the electric circuit takes place in a vacuum tube, resulting in perfectly clean contacts at all times, as these contacts cannot oxidize.
- (3) Its operation is positive and reliable on account of its construction, simplicity and few moving parts.
- (4) The number of flashes per minute can be increased or decreased readily.
- (5) The number of circuits controlled can be increased or decreased.
 - (6) The capacity is 200 volts—20 amperes.
- (7) This flasher can be adapted for gas or oil lamps by having it operate a shield in front of the light.
 - (8) Its work is noiseless.

The device has been in actual service operation for two years on signal installations and has proved eminently satisfactory.

The actual cost of the flasher specially manufactured is \$48, but quantity production will reduce this to \$35. The problems confronting the Board of Directors are as follows:

- (1) This flasher is believed to be a splendid means for highway crossing signal protection, by sending red flashes upon the approach of a train as a warning along the highway. This being the case, it is desired to know:
 - (a) What is the best method of marketing such a highway crossing signal?
 - (b) What is the actual sales market in this particular field?
 - (c) What percentage of this business can we reasonably expect?

- (d) What devices are being exploited at present for such work, and at what prices?
- (e) What opportunity offers export business?
- (f) What competition shall we meet?
- (2) It is obvious that this device is applicable to electric sign advertising,
 - (a) What is the sales market and what percentage can we reasonably expect to obtain of this business?
 - (b) What is the best method of selling this flasher—that is, through specialty salesmen, jobbers, machinery agents, etc.?
 - (c) What competition shall we meet?

Questions

- 1. Are these points properly within the scope of administrative action?
- 2. To what extent does the information called for bear upon administrative decision?
- 3. In a large concern, how many of these matters would be left to the decision of
 - (a) sales manager;
 - (b) president;
 - (c) board of directors?

Problem 328

Sales Development as Basis for Stock Issue

The following is taken from a stock circular issued by a New York dealer in investment securities offering stock of the Ritz Chemical Corporation at par.

Dear Sirs:

Incorporation:

The Ritz Corporation was incorporated under the laws of the State of New York, on Oct. 19, 1920, and has an authorized capital stock of Fifty Thousand (50,000) shares of Five (\$5.00) Dollars par value, all of which has been issued.

Business:

The Company is an amalgamation of its business with the entire business, assets, good-will, trade marks, formulae and outstanding accounts of the following three companies:

J. W. EDMONDS & SONS, a co-partnership, doing business for the past twenty-nine years, manufacturers of the celebrated Edmonds' Electric Metal Polish, distributed wherever metal polish is known. The business of this concern shows excellent earnings, which can be materially augmented by the increased facilities, reduced manufacturing costs and sales expansion made possible through this amalgamation.

SLATER LABORATORIES, manufacturers of pharmaceuticals, extracts, etc., and the owner of many valuable formulae, which under this financing can be made to contribute substantially to the earnings of the corporation.

SCHERER, BURNELL & SCHERER, INC., a New York corporation, organized primarily for the manufacture, by a new process, of a non-streaking, readily soluble laundry blue of extremely high cleansing and bleaching qualities, known as "Tru-Blu," for export. This company did a business of some Two Thousand (\$2,000.00) Dollars per month, and has entered into a valuable contract with a large exporter, having representation in 21 foreign countries, covering the distribution of its laundry blue, to the exclusion of all others. The contract runs for eleven years, and as an indication of its value, if only the minimum guaranteed amounts provided in the contract are taken thereunder, means an annual net income sufficient to pay a handsome dividend on the entire issue of stock.

In addition, it is now negotiating for the agency in this country for foreign dyes and ultramarine blue. The securing of this agency will enable it to secure its raw products more cheaply, obtain commissions for the sale in this country of these products and thus materially increase its income.

Pending the return of normal exchange and export conditions, this company has entered into the domestic field, and in addition to numerous small customers, has on its books the following:

John Wanamaker, Philadelphia, Pa. Strawbridge & Clothier, Philadelphia, Pa. Lit Brothers, Philadelphia, Pa. Thomas Martindale, Philadelphia, Pa. Baltimore Bargain House, Baltimore, Md. Daniel Reeves, Inc. (180 stores)

S. Kresge Stores

W. R. Grace & Company

R. C. Williams & Company

Oneonta Wholesale Grocery Company

and many other well known firms.

Scherer, Burnell & Scherer, Inc., also controls formulae for other valuable products, the manufacture of which has not been begun, but which should provide additional income to the company.

In addition to the foregoing, the Ritz Chemical Corporation has acquired sole rights to the following well known trade marks: "Greyhound," "Jiffy," and "Speedo," together with customers' lists, good-will, formulae, etc.

Through the research of its chief chemist (who, it might be said, is responsible for the formulae of very many of the best known chemical products in this list on the market) and the acquisition of the above enumerated formulae, this company is marketing under its "R-IT-Z" trade mark a 100% line of chemical products that excels any other line on the market. This line comprises a complete line of auto specialties, which are sold to garages, auto accessory and hardware stores, as well as hotel, restaurant, household and factory supplies and some painters' and plumbers' supplies.

A list of the products now manufactured is shown below:

AUTO SPECIALTIES:

R-IT-Z Body Polish

R-IT-Z Liquid Metal Polish

R-IT-Z Paste Metal Polish

R-IT-Z Body Cleaner

R-IT-Z Top Dressing R-IT-Z Metal Polish

R-IT-Z Gasket Cement

R-IT-Z Carbon Remover

R-IT-Z Tire Paint

R-IT-Z Tar Remoyer

R-IT-Z Wind Shield Paste

R-IT-Z Hand Paste

R-IT-Z Anti-Freeze Compound

R-IT-Z Radiator Cement

R-IT-Z Valve Grinding Compound

R-IT-Z Clutch and Belt Compound

Hotel, Restaurant and Household Supplies:

R-IT-Z Floor Oil

R-IT-Z Copper Polish

R-IT-Z Liquid Metal Polish

R-IT-Z Counter Top Oil

R-IT-Z Dance Floor Wax

R-IT-Z Silver Polish

R-IT-Z Soda Fountain Cream Polish

R-IT-Z Knife Cleaning Polish

R-IT-Z Linoleum Cleaner and Reviver

R-IT-Z Furniture Polish R-IT-Z Roach Powder

R-IT-Z Rug and Carpet Cleaner

R-IT-Z Wall Paper Cleaner

R-IT-Z "Brush-Renu"

R-IT-Z Disinfectant

R-IT-Z Drain Pipe Solvent

R-IT-Z Washing Machine Powder

R-IT-Z Crude Chemicals

By reason of the location of its plant at Newark, New Jersey, with its excellent railroad and tidewater facilities, and with a good class of labor readily available at all times at reasonable wages, in addition to its extremely low overhead expense, this company is in a position to produce and sell better goods more cheaply than its competitors.

MANAGEMENT:

The management is extremely conservative and highly competent to conduct the affairs of the corporation, having successfully managed other propositions of similar nature for many years.

ESTIMATED EARNINGS:

The sale of only one-quarter of the present daily capacity production of its leading products alone would mean a net daily income of \$125.

In addition, the present machinery can produce at the same time all of the other products sufficient in quantity to add at least \$25 to \$50 daily income, to be conservative, or total daily earnings of \$150 to \$175 a day.

Based on the foregoing, a conservative estimate of earnings, figured at today's costs for raw materials, would be from \$4,000 to \$5,000 per month, or from \$40,000 to \$50,000 yearly, or a return of 20% on the investment.

Purpose of Issue:

The purpose of this issue is to further improve its facilities in order to reduce costs, develop its sales, create a national sales organization, properly advertise and distribute its products and thus increase its business and profits to its stockholders.

Yours very truly.

Questions

- 1. Assuming that certain economies may be secured in production, is the consolidation likely to be able to effect large economies in distributing its product?
- 2. Is the information given sufficient for the investor?
- 3. Is it conclusive from the view-point of the investor?
- 4. Are the development of sales, creation of national sales organization and advertising proper purposes for stock issue?

Problem 329

Decentralization of Sales Organizations in Industrial Consolidation

The Glidden Company was reorganized in 1919 as a consolidation of the following companies: The Glidden Co. of Cleveland, Ohio; The Glidden Co. of Texas; The Glidden Co. of Massachusetts; The Linsced Oil Mill Co. of St. Louis; The Glidden Nut Butter Co.; The Adams and Elting Co. of Chicago; The American Paint Works of New Orleans; T. L. Blood & Co. of St. Paul, Minnesota; The Campbell Glass and Paint Co. of St. Louis; The Forest City Paint and Varnish Co. of Cleveland; The Nubian Paint and Varnish Co. of Chicago; The Glidden Co. of California; The Glidden Co., Ltd., Toronto, Canada; The Heath and Milligan Manufacturing Co., Chicago; The Twin City Varnish Co., St. Paul; The A. Wilhelm Co., Reading, Pennsylvania.

According to the description in its published reports:

The American Paints Works of New Orleans, in addition to supplying the Southern States with paints and varnishes, eniovs a very large export trade with Mexico, Cuba, Porto Rico and other countries of Latin America. The Campbell Glass & Paint Company of St. Louis and Kansas City supplies the Mississippi Valley and the Southwest with a full line of paints and varnishes. The Glidden Company of California, located in San Francisco, succeeded to the business of Whittier-Coburn Company and manufactures and deals in paints and oils. The Glidden Co., Ltd., of Toronto, does a large business in Canada and also a large export business. The Heath & Milligan Manufacturing Company, Chicago, was formerly controlled by the National Lead Co.; this company has been engaged in the manufacturing and supplying of agricultural implement paints to the International Harvester Corporation and other similar organizations; also in the manufacturing of house paints and other paints and varnishes. The Twin City Varnish Co. has been engaged in supplying to manufacturers of tin cans, used for food containers, a special enamel used to process the tin plate. The A. Wilhelm Co. of Reading manufactures fine dry colors used in the printing ink, lithographic and allied trades; also manufactures dry colors for use by paint manufacturers. Glidden Nut Butter Co. operates plant at Chicago having capacity of thirty tons of mut butter per day.

In addition to the plants of the above companies, company owns plants in Cleveland, O., and Reading, Pa., for the manufacture of arsenical poisons, such as Paris Green, arsenical sheep and cattle dips and other products used by farmers, fruit and tobacco growers, etc., and controls through ownership of common stock the Glidden Stores Co., an Ohio corporation operating a chain of retail paint stores throughout the country. Company is the owner of several valuable trade names, such as "Jap-a-lac," "Nev-a-rust," "Ad-el-ite," etc. The export department is located in New York.

Any consolidation of this type is confronted with the problem of securing the greatest benefit of centralization of control of sales and distribution of product without nullifying that benefit by sacrificing good will attaching to the constituent companies. In absorbing the various concerns, the policy finally adopted was that of allowing subsidiaries to retain their own names and branded products, while endeavoring to secure some of the benefits of consolidation through representation of some of the factories upon the board of directors and through four regional directors responsible to the executive committee consisting of the president, vice-president and treasurer. The 14 factories are grouped according to location under these regional directors, each factory in charge of a general manager.

Questions

1. Should the plan have been adopted?

2. How would the sales organization of the different plants be affected if it were decided that a central sales organization should be created with headquarters in Chicago?

Problem 330

Organization of Separate Corporations to Handle Sales

The Arlington Motors Corporation has since 1917 been engaged in the manufacture of motor trucks in a suburb of Chicago. Recently the proposal has been presented to the board of directors to organize a second corporation for handling sales and a third to finance the sales.

The considerations urged in favor of forming three corporations were particularly the financial benefits and the advantages to be gained from the specialization of functions.

A large amount of capital is required for financing automobile manufacturing and distributing. It is asserted that it will be possible for the Arlington officers to secure more capital with which to carry on the business through the formation of three separate companies, each of which offers a fairer rate of return on capitalization than could be secured through one company. The manufacturing plant with the large

amount of equipment and material that must be carried called for much capital. The sales department must meet the expense of establishing and maintaining numerous sales and service branches, maintaining a fleet of demonstration trucks, the carrying of an enormous stock of parts in its branches and stations. Lastly, the financing of sales requires ample capital because practically everyone who buys a truck buys it on a time basis, even when able to make cash pay-The handling of the automobile paper connected with these transactions offers a field wherein a separate company can make a good income from the interest on the paper, while at the same time the manufacturing and sales company is relieved of the specialized work of looking after this part of the financial operations.

In general the three corporations would enable a specialization in each; the sales corporation being left free to devote all its attention to the selling field and service work. Further, the presence of a separate company between the manufacturers and the dealer or consumer is thought to give more equitable relations with all than is gained where the manufacturer comes in direct contact. The sales company acts as a buffer.

All three corporations should be organized on a profit-making basis in contrast to the formation of separate companies in some cases for legal purposes alone. No one company should control either of the others except insofar as there are stockholders interested in the control of all of the corporations.

Trucks are to be manufactured by the production company and delivered to the sales company on a cash basis. This is similar to the procedure of other companies otherwise organized, who ship their cars to regional agents on sight draft with bill of lading attached. The sales company disposes of the cars, taking paper for a large part of the value. Sales are made in either of two ways. In some states the truck is given to the buyer on a conditional bill of sale; in other states the title passes and the company has a

mortgage on the truck. The note given by the customer bears a fixed rate of interest, and he must at the same time pay a carrying charge covering fire, theft, and liability insurance.

It is intended that the sales company sell the paper which it takes to the Arlington Guarantee Discount Corporation at a small discount, and that the latter hold the paper until maturity. The paper may be in the form of a single note on which periodic payments are noted, or a number of separate notes may be given for the payments as they fall due. The latter method is favored by this company, though the legal status of the two methods is practically the same.

Questions

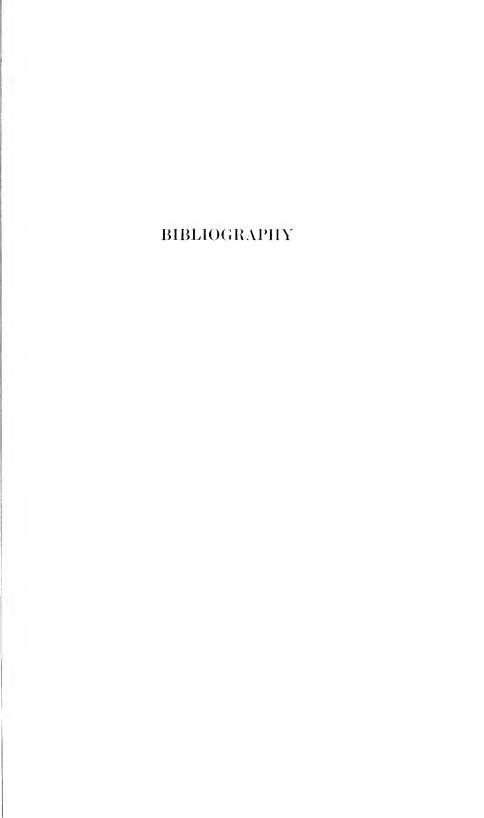
1. Are the arguments for the formation of separate corporations conclusive?

2. Are the objects attained if the controlling

stockholders in each are identical?

3. What legal advantages are there in organizing separate sales corporations?

4. Does such organization limit the activities of the sales department?





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